

# CA Student Loan & Debt Service Review Workgroup

December 10, 2020

**Technical Notes:** *If you prefer to use your phone audio instead of your computer audio, please mute your computer and dial: (669) 900-6833 | Meeting ID: 959-3333-8558 | Passcode: 207568*

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CALIFORNIA  
STUDENT AID  
COMMISSION

# Objectives for Today's Meeting



1

Build shared understanding of the existing body of research on student loan debt, including the available data disaggregated by student and institutional characteristics

2

Establish evaluative criteria for workgroup to use in assessing possible policy recommendations

3

Review the updated meeting schedule and revise topics, as needed.

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# Meeting Agenda



**8:00 am**     **Welcome and Introductions**

*Patrick Perry, CSAC*

**8:05 am**     **Public Comment**

*Facilitated by HCM Strategists*

**8:10 am**     **National Landscape: Who Holds Student Debt?**

*Sandy Baum, Urban Institute, and Adam Looney, Brookings Institution*

**8:30 am**     **Student Debt and Default in California**

*Debbie Cochrane, TICAS*

**8:50 am**     **Student Debt in California**

*Hans Johnson, PPIC*

**9:10 am**     **BREAK**

# Meeting Agenda



**9:30 am**      **Student Loan Debt in the Bay Area**

*Jacob DuMez, San Francisco Treasurer's Office of Financial Empowerment*

**9:50 am**      **Student Loan Debt Report Card**

*Bonnie Latreille & Kat Welbeck, Student Borrower Protection Center*

**10:10 am**      **Discussion of Research Presentations**

*Facilitated by Martha Snyder, HCM Strategists*

**10:40 am**      **Discussion of Evaluative Criteria**

*Juana H. Sanchez, HCM Strategists*

**10:50 am**      **Closing & Next Steps**

# Public Comment

*Instructions for Public Comment: Use the chat to indicate your desire to comment on an agenda item and kindly wait for your name to be called before unmuting yourself to speak. The facilitator will let you know how much time you have allotted and will manage time.*

# Research Presentations

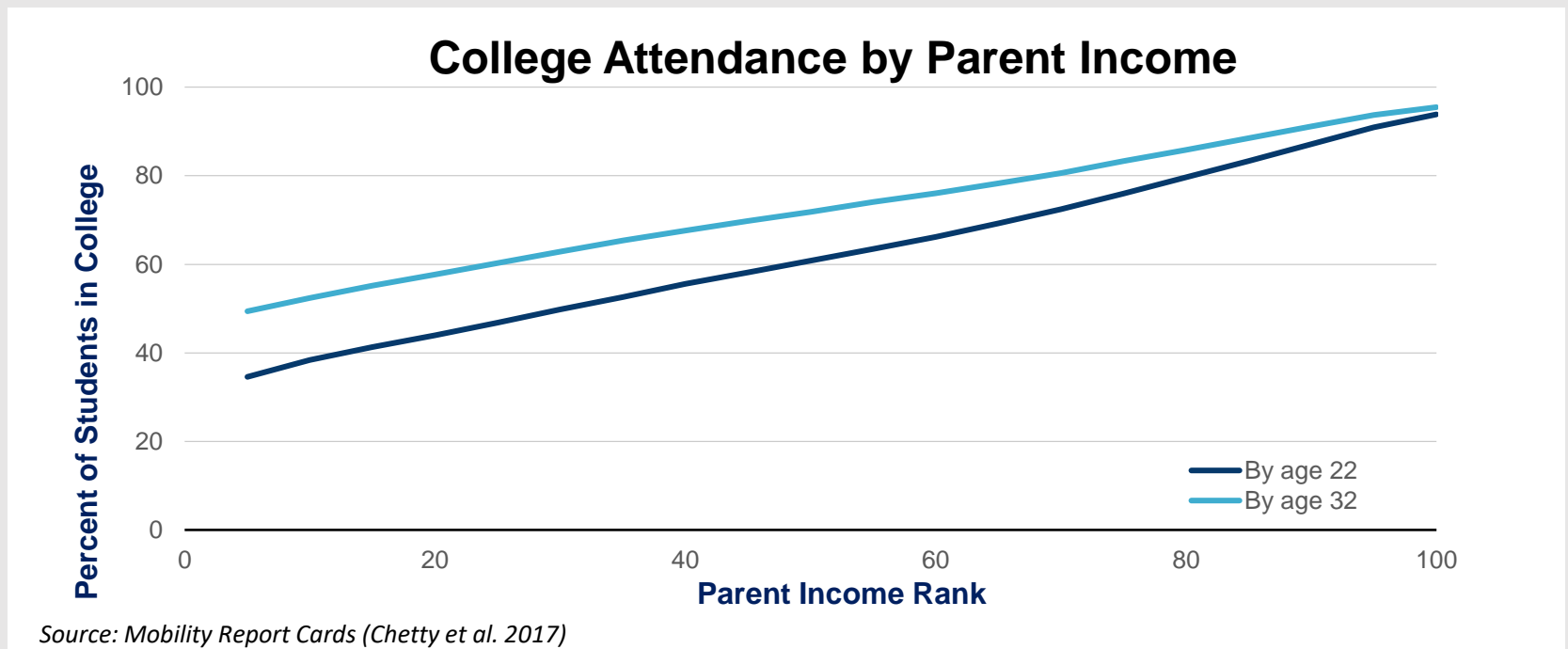
# Who Holds Student Debt? Who Struggles with Student Debt?

Sandy Baum  
Urban Institute

Adam Looney  
Brookings Institution

California Student Aid Commission  
December 2020

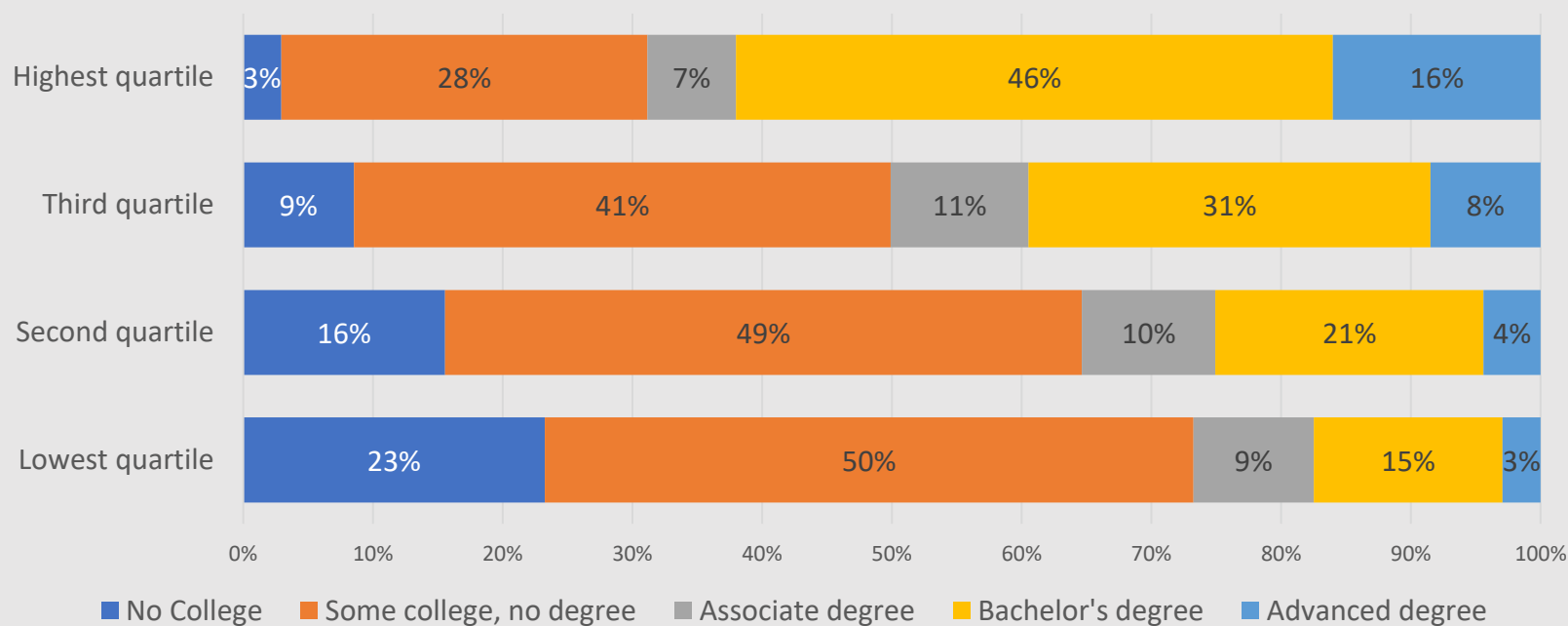
Low-income, minority, and first-generation students are much less likely than others to go to college, which has implications for who owes student debt





High school students from lower-SES backgrounds are less likely than others to go to college and to earn degrees.

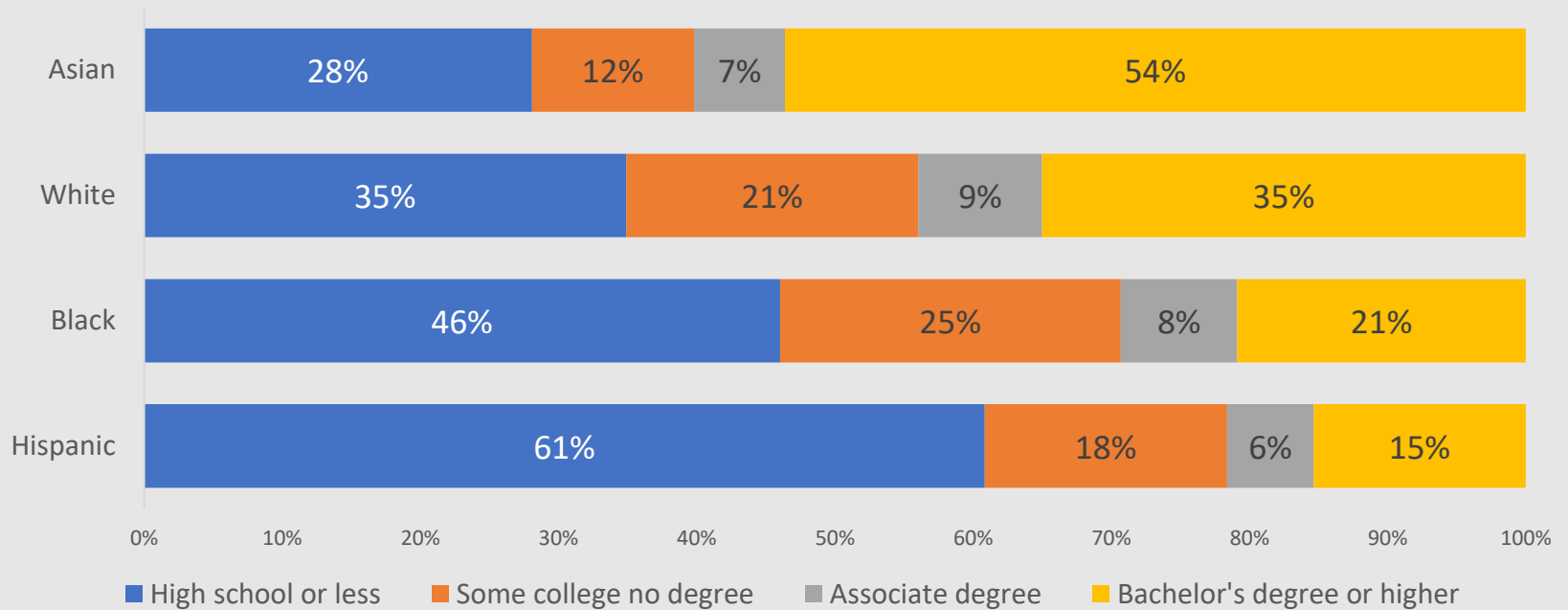
### Highest education level of 2002 high school seniors as of 2012



Source: U.S. Department of Education, National Center for Education Statistics, Education Longitudinal Study of 2002 (ELS:2002), High School Seniors.

Black and Hispanic adults are less likely than White and Asian adults to have any college experience

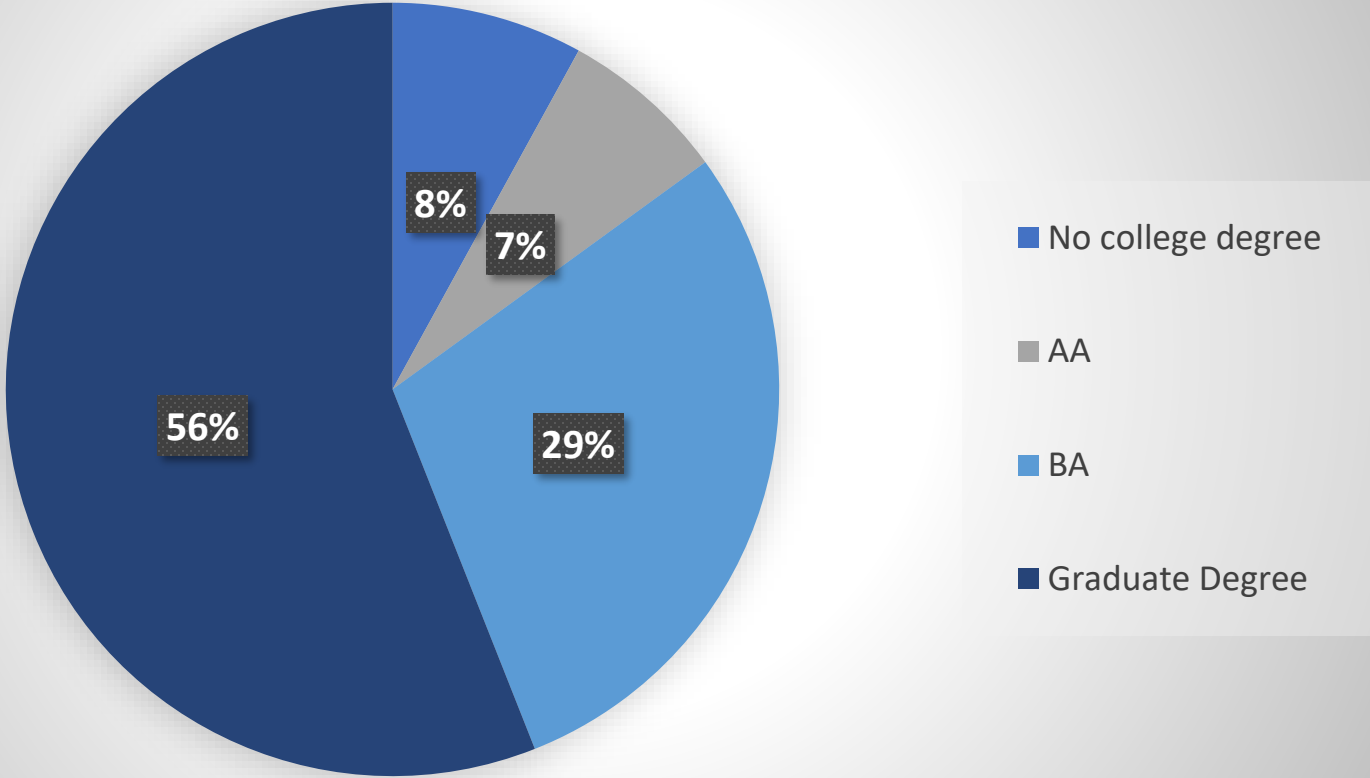
### Educational attainment of adults age 25 and older by race/ethnicity



Source: *Digest of Education Statistics*, Table 104.40

Debt is concentrated among more educated individuals because debt is accumulated over more years and in graduate programs.

Highest level of education of household head or spouse



Graduate and professional degrees are responsible for a disproportionate share of debt (but often lead to high-paying jobs).

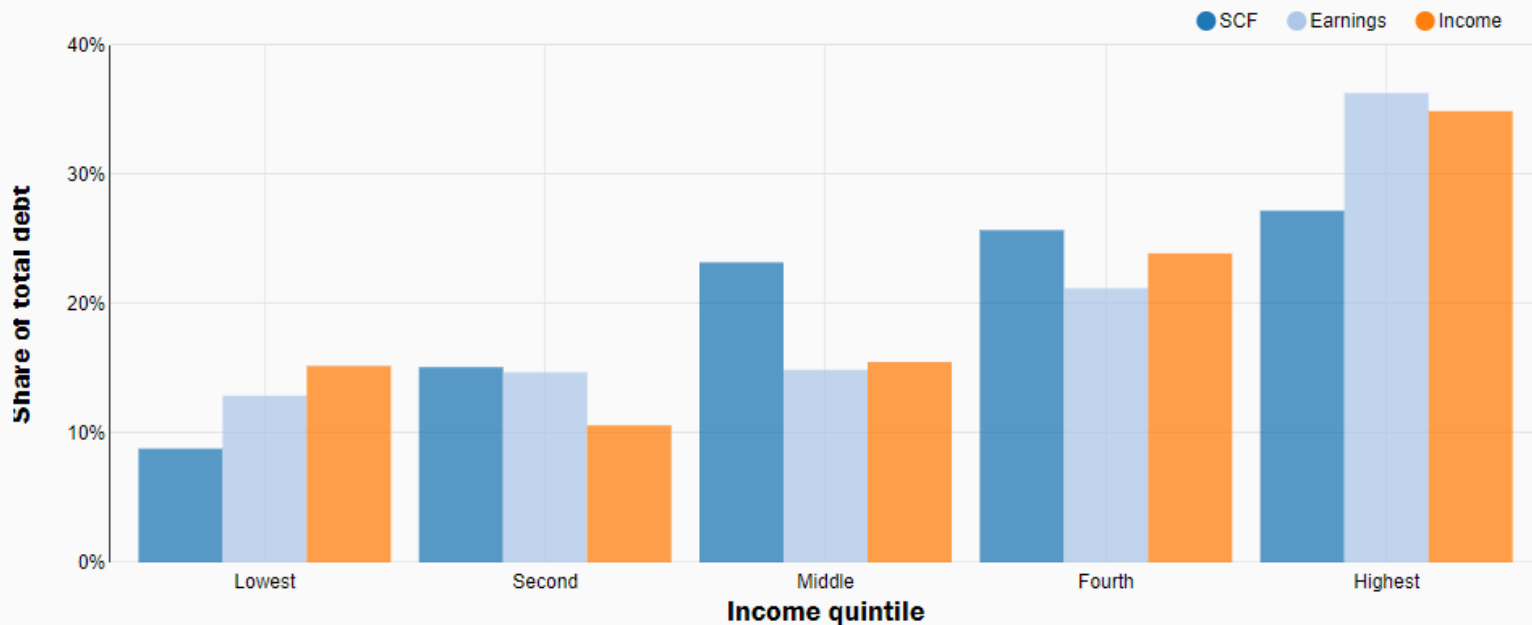
Where did student borrowers accumulate their debts?						
Ranked by share of total debt for 2014/15 and 2015/16 graduating cohorts						
Rank	Degree	Program of Study	% of Debt	% of Borrowers	First Year Earnings	Median Debt
1	Master's Degree	Business Administration	4.3%	2.6%	\$ 73,868	\$ 46,045
2	Professional Degree	Law	4.3%	1.0%	\$ 67,696	\$ 119,286
3	Bachelors Degree	Business Administration	3.7%	4.1%	\$ 42,740	\$ 25,308
4	Bachelors Degree	Nursing	3.3%	4.2%	\$ 64,930	\$ 21,812
5	Professional Degree	Medicine	3.1%	0.5%	\$ 55,572	\$ 170,602
6	Bachelors Degree	Psychology	2.7%	3.3%	\$ 28,421	\$ 22,944
7	Master's Degree	Nursing	2.5%	1.4%	\$ 94,954	\$ 49,817
8	Master's Degree	Social Work	1.9%	1.1%	\$ 44,993	\$ 50,121
9	Associate's Degree	Liberal Arts and Sciences	1.9%	4.0%	\$ 24,671	\$ 13,048
10	Professional Degree	Pharmacy	1.7%	0.4%	\$ 110,728	\$ 126,013
11	Bachelors Degree	Biology	1.6%	2.1%	\$ 27,995	\$ 22,009
12	Bachelors Degree	Criminal Justice	1.6%	1.8%	\$ 33,016	\$ 25,412
13	Professional Degree	Dentistry	1.5%	0.2%	\$ 97,215	\$ 241,552
14	Associate's Degree	Nursing	1.5%	2.3%	\$ 54,462	\$ 18,391
15	Professional Degree	Osteopathic Medicine	1.4%	0.2%	\$ 53,936	\$ 232,053
16	Bachelors Degree	Teacher Education	1.2%	1.5%	\$ 34,146	\$ 24,163
17	Bachelors Degree	Communications	1.2%	1.5%	\$ 32,907	\$ 22,248
18	Bachelors Degree	Accounting	1.2%	1.4%	\$ 46,946	\$ 23,986
19	Master's Degree	Allied Health Diagnostic	1.1%	0.3%	\$ 97,223	\$ 95,758
20	Master's Degree	Clinical Psychology	1.1%	0.5%	\$ 42,439	\$ 57,420

Source: College Scorecard (2020) [collegescorecard.ed.gov/data/](https://collegescorecard.ed.gov/data/)

First year earnings and median debt represent the weighted average of the median earnings and debt reported in the Scorecard

As a result of all these factors, debt is disproportionately owed by higher-income households

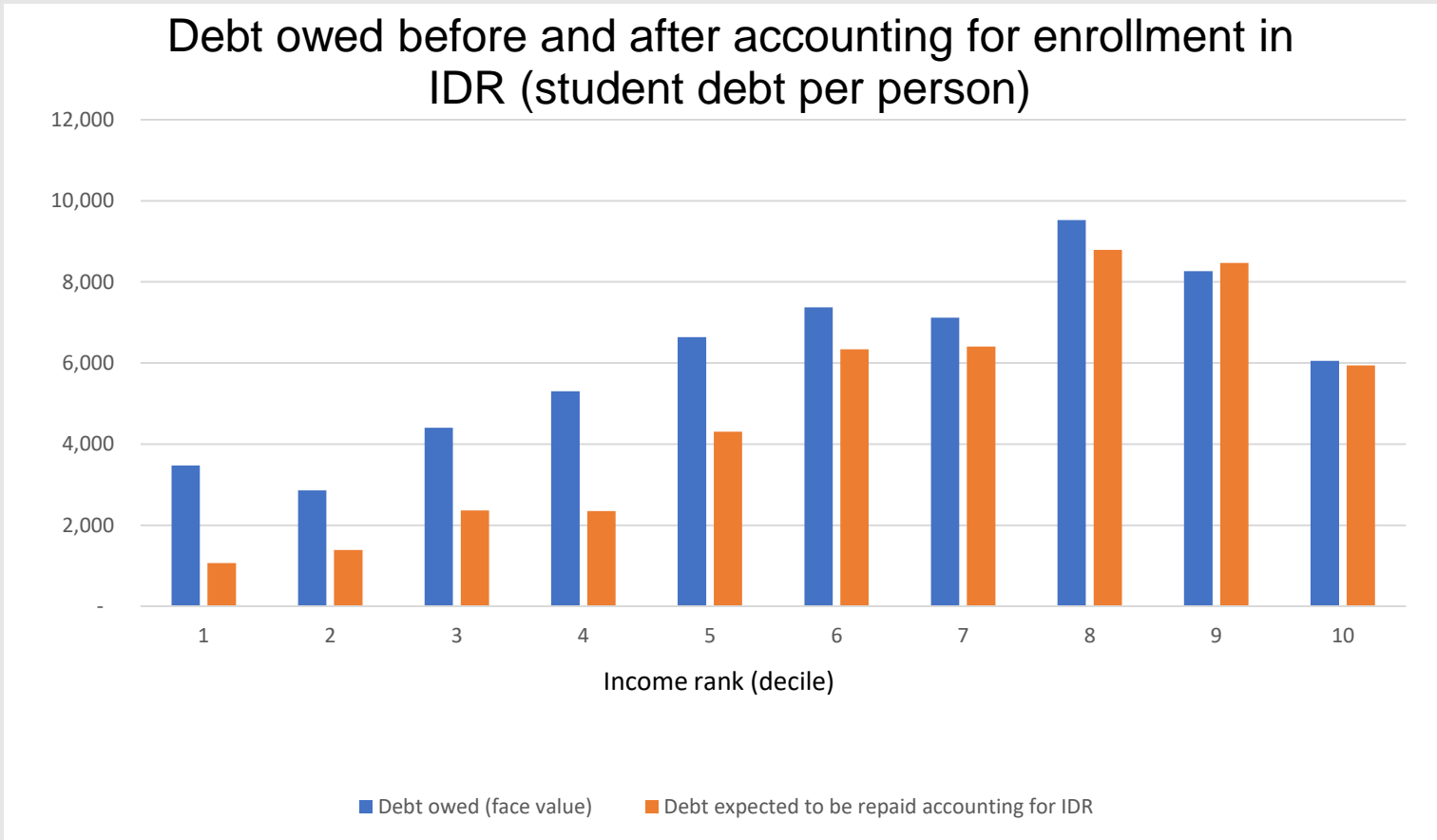
## Fraction of student debt owed by income quintile



Note: Earnings and income are from administrative data.

Treasury tabulations of NSLDS 4 percent sample matched to de-identified tax records.

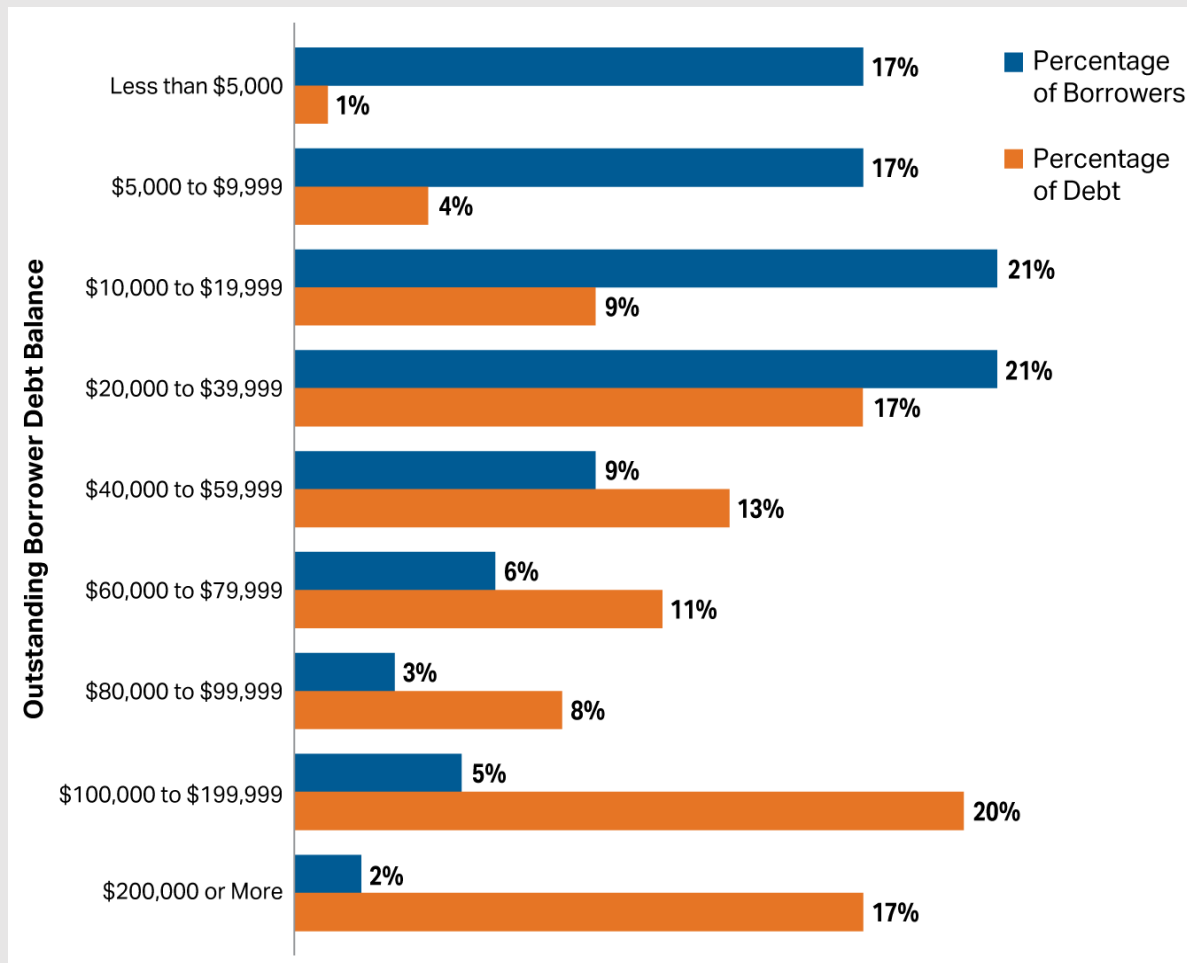
# Income-based repayment reduces the true burden of debt on low-income borrowers



Source: Catherine and Yannelis (2020)

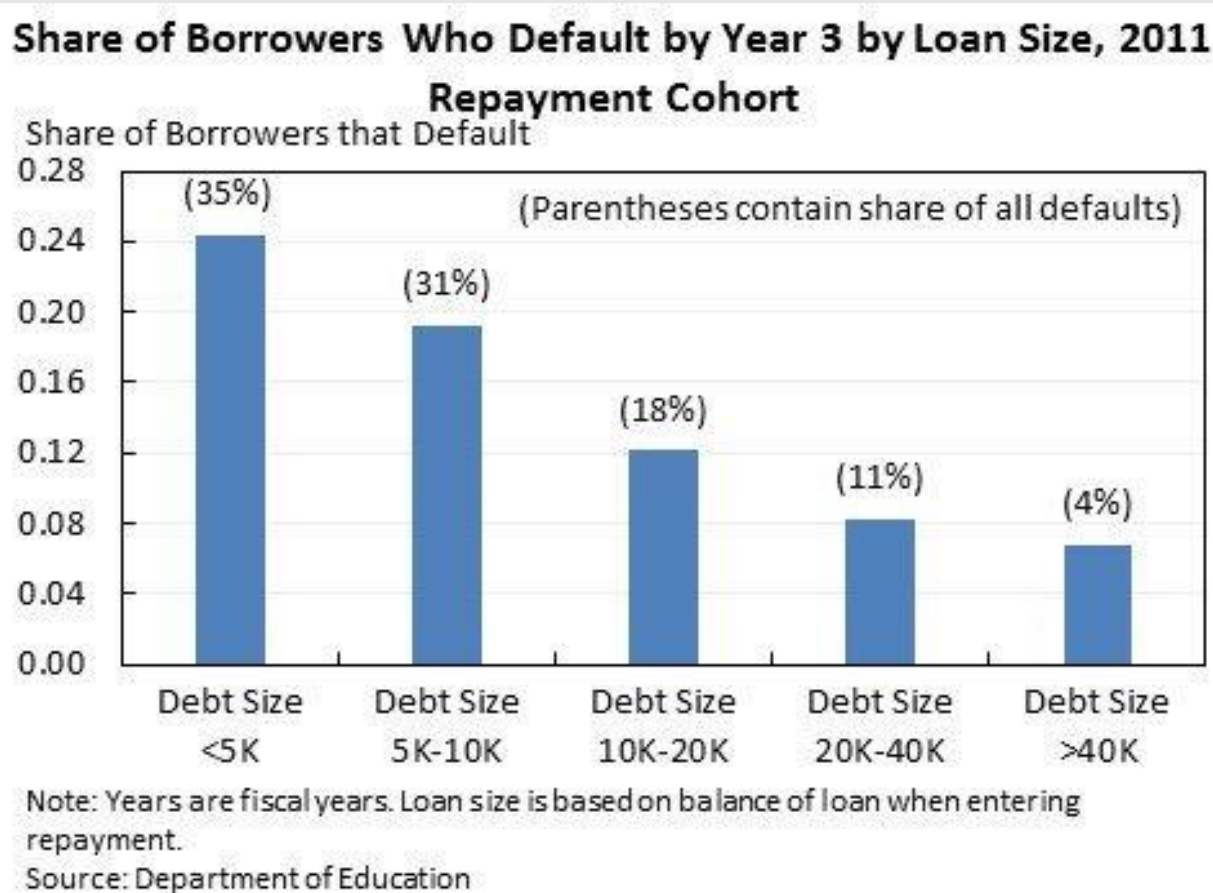
One-third of borrowers owe less than \$10,000 and hold 5% of all outstanding debt.

## Distribution of Borrowers and Debt by Outstanding Balance, Second Quarter of FY2020



Source: The College Board, Trends in College Pricing and Student Aid 2020, Figure SA- 10.

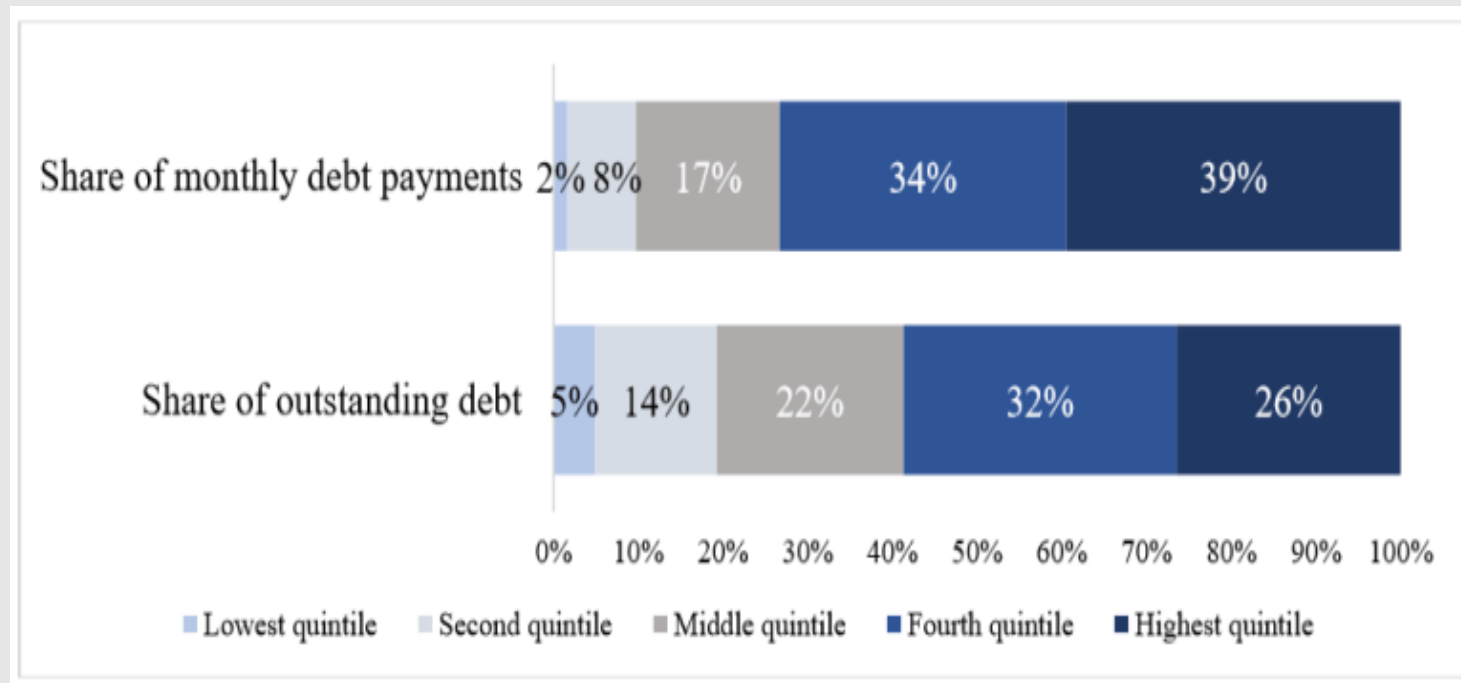
Those who struggle most often owe the least: They dropped out or attended a low-cost community college.





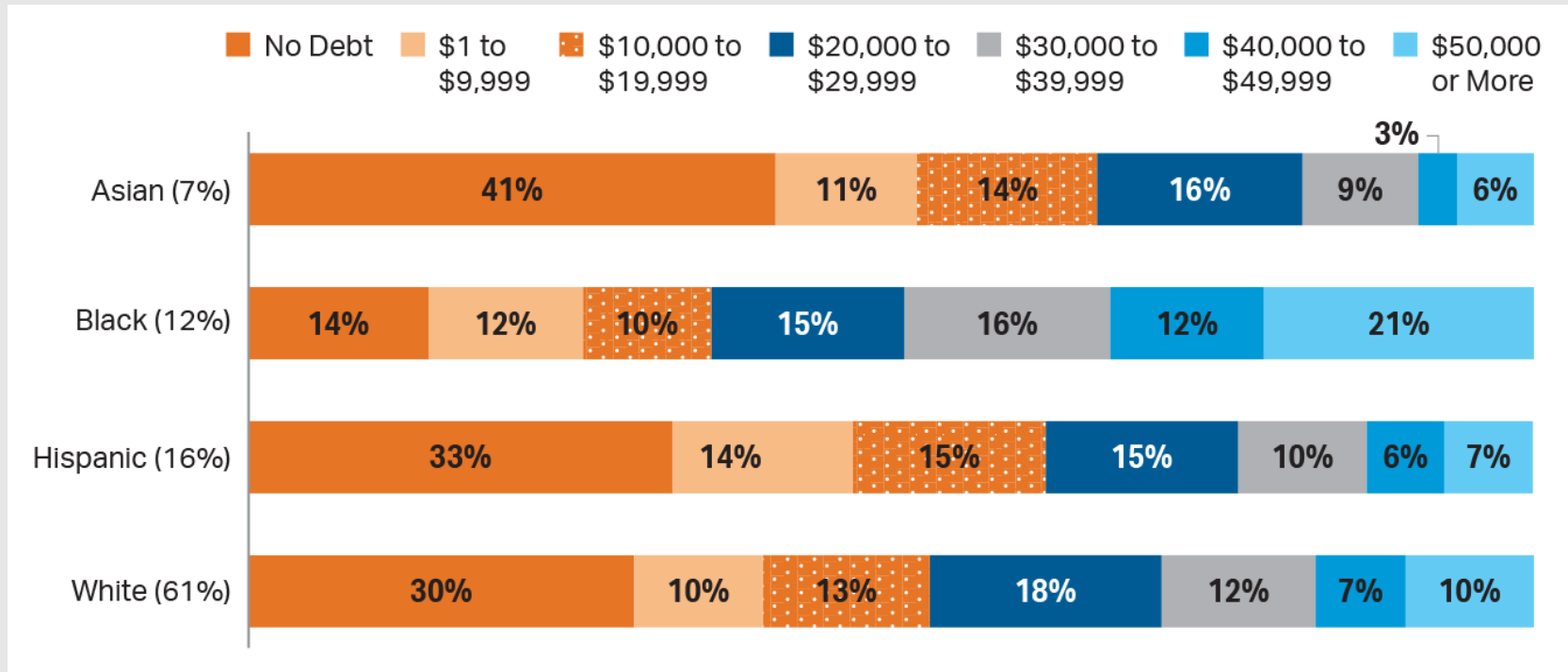
How much low-income borrowers owe overstates how much they pay because of income-driven repayment.

### Distribution of monthly payments and outstanding debt by household income quintiles, 2019



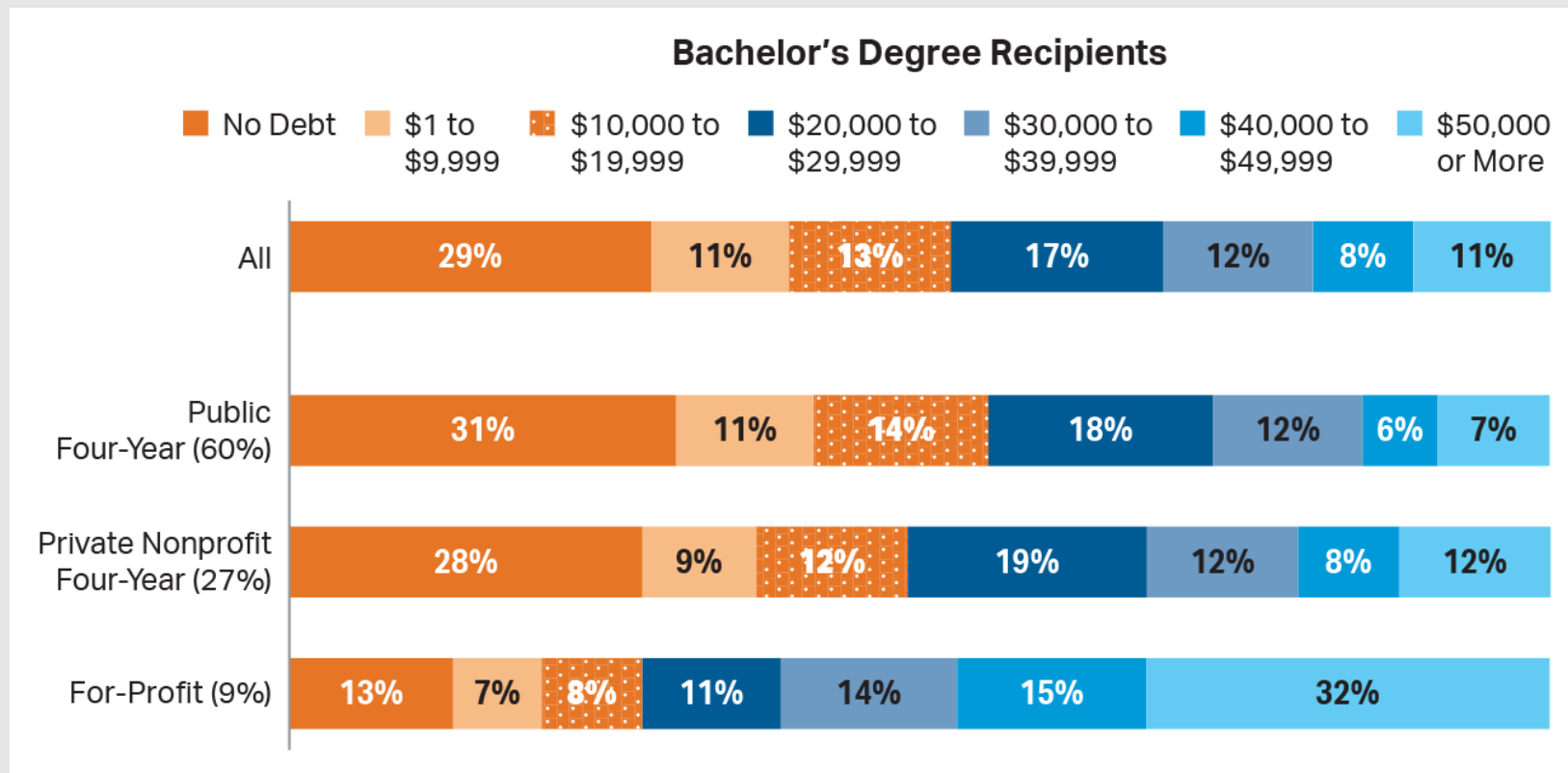
Baum and Looney 2020, Brookings Institutions, based on Survey of Consumer Finances

## Cumulative Debt of 2015-16 Bachelor's Degree Recipients by Race/Ethnicity



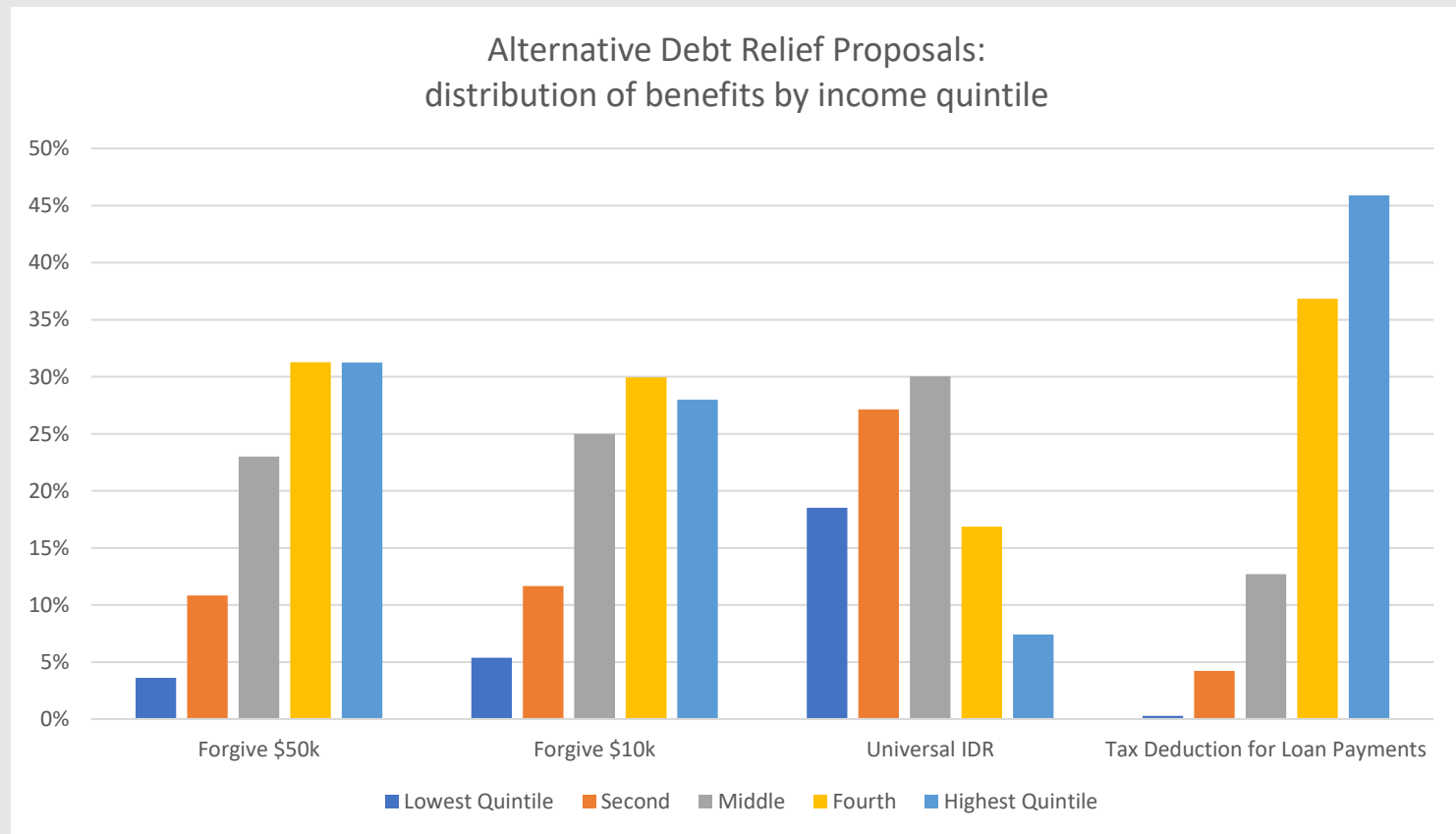
Source: The College Board, Trends in Student Aid 2019, Figure 16.

## Distribution of 2015-16 Bachelor's Degree Recipients by Cumulative Amount Borrowed for Undergraduate Study



Source: The College Board, Trends in Student Aid 2018, Figure 16.

# Without means testing and targeting, debt relief proposals largely benefit high-income students



Source: Catherine and Yannelis (2020), Looney (2019)

## State policy and federal policy interact.

- The federal government has income-driven repayment plans.
- About one-third of borrowers and more than half of outstanding debt are now in these plans.
- Policies that base state subsidies on required monthly payments (like New York's) do not help the lowest-income borrowers—who do not have to make payments.
- The state needs good data about borrowers and their status.
- Borrowers need information and help in enrolling in repayment plans.
- Students need better guidance *before* they enroll and borrow.

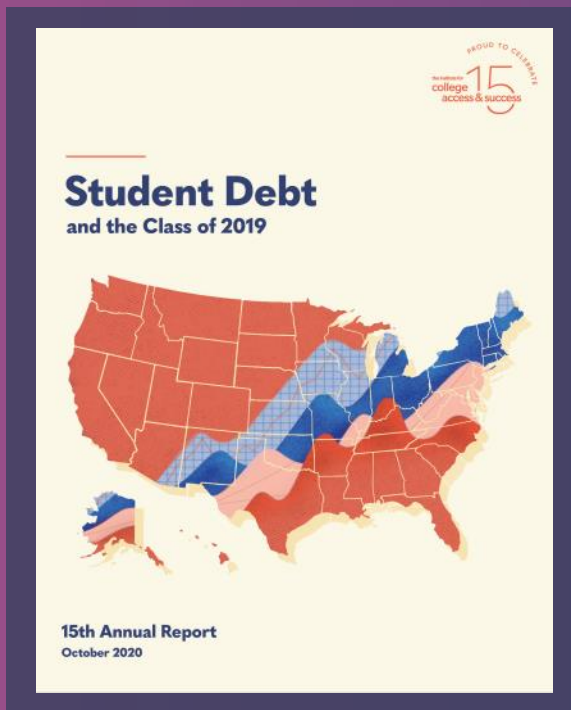
Presentation to the

California Student Loan  
and Debt Service Review Workgroup

Debbie Cochrane,  
The Institute for College Access & Success

December 10, 2020

# Student Debt and the Class of 2019



- 15<sup>th</sup> annual report on student debt levels for graduates of public and nonprofit colleges
- Most recent data show 62 percent of graduates in the class of 2019 had debt, with an average of \$28,950.
- Small declines since 2018, consistent with recent trends
- Over the last 15 years, growth in average debt outpaced inflation. It more than doubled the pace of inflation in 18 states.

# States with Highest and Lowest Average Debt, Class of 2019

High-Debt States	
New Hampshire	\$39,410
Pennsylvania	\$39,027
Connecticut	\$38,546
Rhode Island	\$37,614
Delaware	\$37,447
Maine	\$33,591
New Jersey	\$33,566
Massachusetts	\$33,256
North Dakota	\$32,745
District of Columbia	\$32,039

Low-Debt States	
Utah	\$17,935
New Mexico	\$20,991
Nevada	\$21,254
California	\$21,485
Wyoming	\$23,444
Hawaii	\$23,577
Florida	\$24,629
Washington	\$24,645
Arizona	\$24,712
Louisiana	\$25,512



# States with Highest and Lowest Shares of Graduates with Debt, Class of 2019

High-Debt States	
New Hampshire	74%
South Dakota	74%
Maine	67%
West Virginia	67%
Minnesota	66%
Pennsylvania	65%
North Dakota	64%
New Jersey	64%
Wisconsin	64%
Iowa	63%

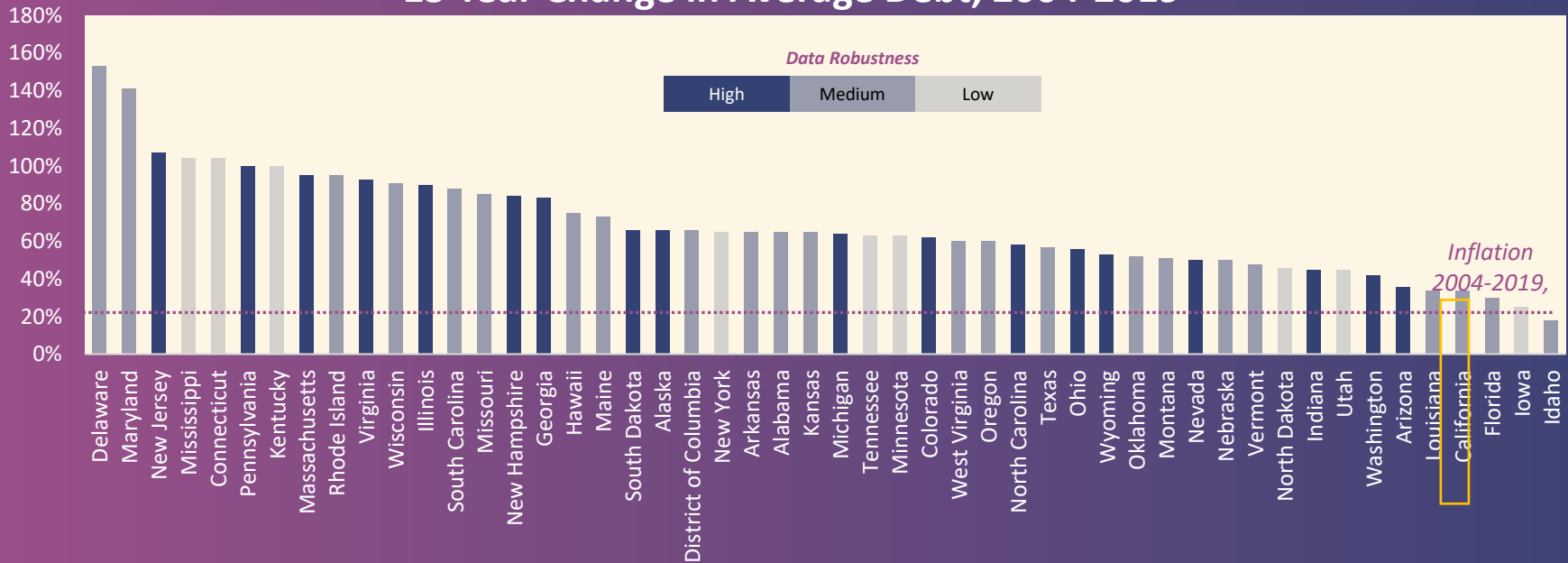
Low-Debt States	
Utah	40%
Hawaii	43%
New Mexico	45%
Nevada	46%
Wyoming	46%
District of Columbia	46%
California	47%
Oklahoma	47%
Texas	48%
Alaska	48%

## Below the Averages: CA Public Universities

- Amongst California public colleges, low-income and underrepresented students are much more likely to graduate with debt.
  - 3 out of 4 black CSU graduates leave college with student loan debt, compared to half of all CSU graduates.
    - Among CSU graduates who borrowed loans, two-thirds were from families with incomes below \$27,000.
  - Two-thirds of black UC graduates and those from families with incomes below \$29,000 leave college with student loan debt, compared to half of all UC graduates.

# Average Debt Outpaced Inflation in Nearly All States over Last 15 Years

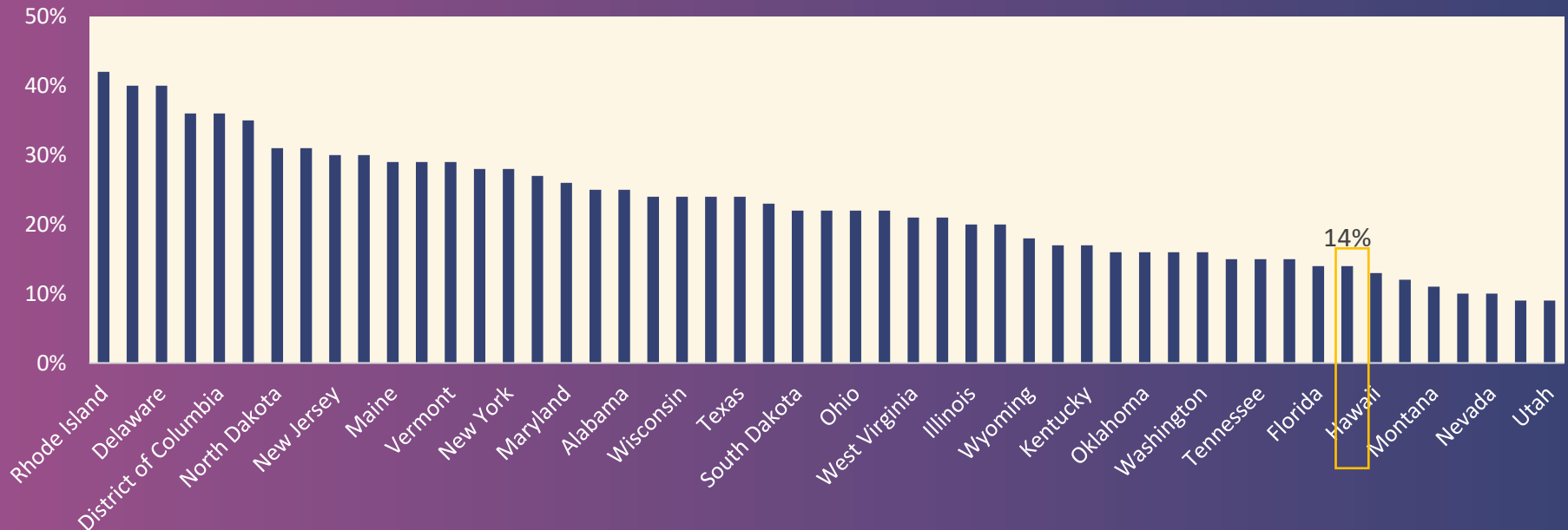
## 15 Year Change in Average Debt, 2004-2019



New Mexico data not reported for 2004

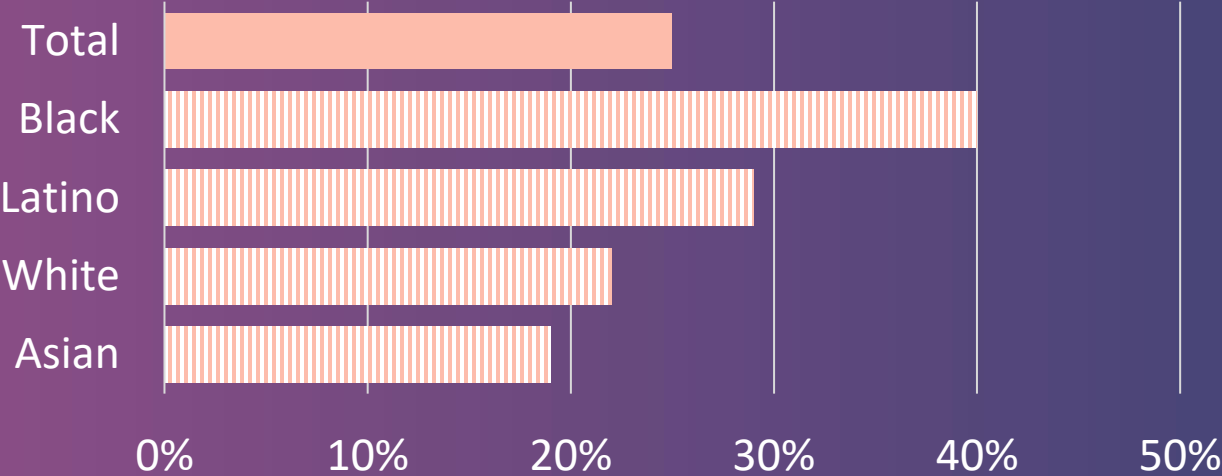
# Reliance on Private Debt Varies by State

Share of Graduates' Debt that is Private (Nonfederal) Loan Debt, 2019  
(share of total volume)



# Some Graduates Struggle to Repay

Share of Borrowers Who Experienced Difficulty Making Federal Loan Payment Within 12 Months After Graduation



# Suggested Efforts to Bolster Support for College Graduates



- Support outreach about income-driven repayment options.
  - IDR plans currently enable 8.5 million federal loan borrowers to make payments based on their incomes (not their debt load), with forgiveness after 20-25 years.
- Facilitate the completion of Employment Certification Forms (ECFs) for government employees who could benefit from Public Service Loan Forgiveness, with potential to scale up to support other employers.
  - ECFs help to ensure borrowers are on track to forgiveness. 31 percent of submitted ECFs are deemed ineligible, 83 percent of which are missing information.

# Suggested Efforts to Bolster Support for College Graduates, cont.



- Investigate colleges' compliance with California Education Code 69800.2(a), which requires students be notified about untapped state and federal aid (including loans) before certifying private loans.
  - Nationally, fewer than half of undergraduate private loan borrowers max out their federal loan eligibility (2015-16, NPSAS).
  - Nationally, the amount of nonfederal loans borrowed by undergraduates has increased by 86 percent over the last decade, including 21 percent in the last two years (2017-18 compared to 2018-19, College Board).

# Debt Struggles at For-Profit Colleges

For-profit college graduates face particular challenges with student debt:

- The vast majority of for-profit graduates have debt (83 percent).
- Their debt loads are 41 percent higher than graduates from other colleges.
- Even among bachelor's degree graduates, 30 percent default on their loans within 12 years of entering college.

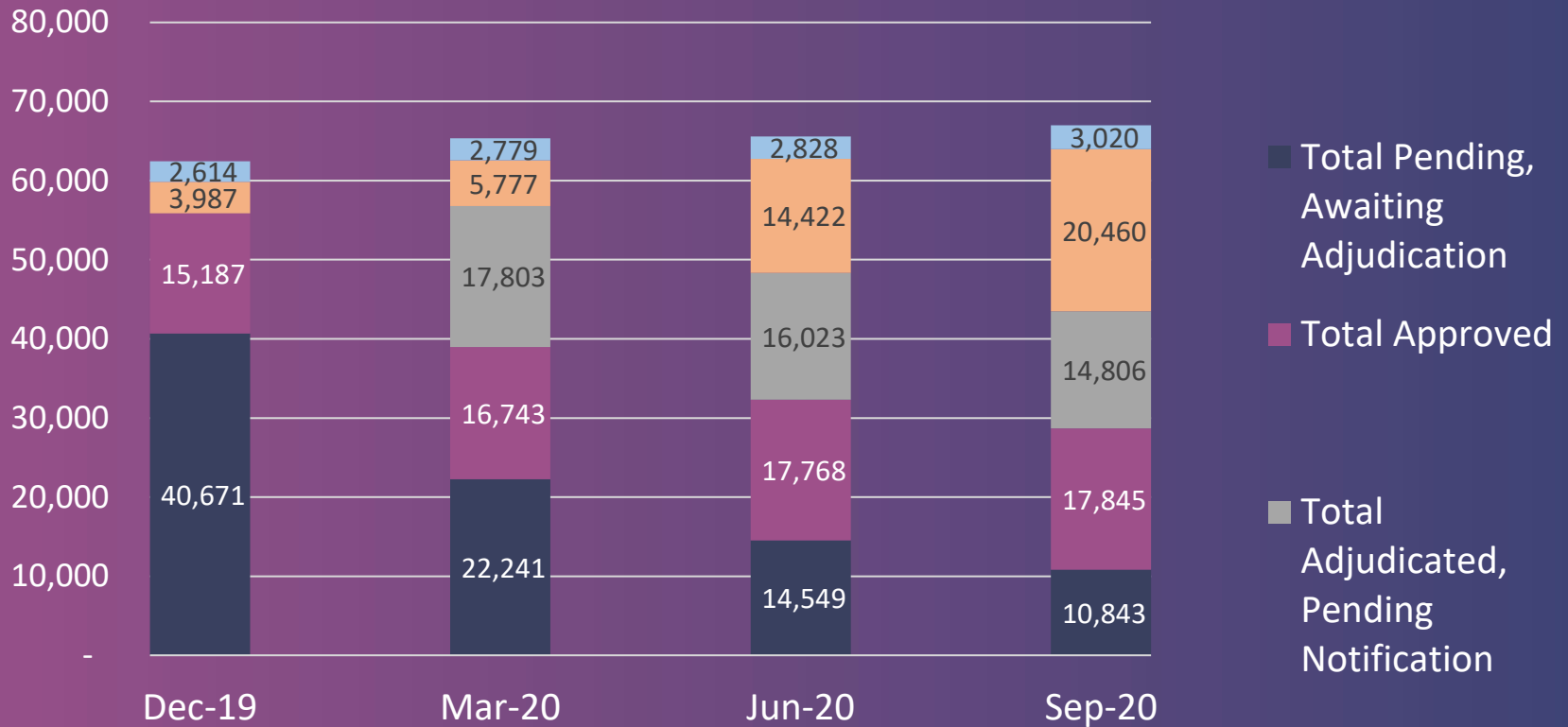
*Because Black and Latino students attend for-profit colleges at disproportionate rates, poor outcomes in this sector may serve to worsen racial disparities rather than alleviate them.*



# Debt Struggles at CA For-Profits

- Among California-based colleges, for-profit colleges enroll 8% of students, including 18 percent of Black undergraduate students.
- For-profit colleges account for:
  - 50 percent of borrowers who default on federal student loans within 3 years.
  - 50 percent of undergraduate borrowers who are not paying down federal student loan principle within 3 years.
- There are 60 California-based colleges where most students borrow loans and fewer than half of borrowers are paying down principle 7 years into repayment. 54 of the 60 are for-profit colleges.

# California Borrower Defense Claim Status



# Enhancing Access to Federal Relief

The federal landscape with respect to borrower defense and closed school discharges may evolve significantly in the coming months.

Possible state interventions on behalf of these students could include:

- Advocating for improved federal processes, including supporting borrowers' attempts to seek reconsideration.
- Seeking to identify students eligible for federal loan discharges who have not yet applied, or federal discharge claimants who may also be eligible for relief from the state's Student Tuition Recovery Fund (STRF).

# Related State Efforts

- AB 1340 (2019) required for-profit colleges to begin collecting and reporting data to the Bureau of Private Postsecondary Education (BPPE) as soon as January 2020, for the purpose of understanding labor market outcomes, but little progress has been made:
  - BPPE has not yet begun promulgating rules, which would direct institutions to collect the information and define when and how the data could best be used.
  - The bill has influenced the inclusion of for-profit colleges in Cradle-to-Career efforts, but current proposals do not incorporate these colleges/students until 2024.
- AB 1346 (2019) expanded access to state-level discharges for students whose programs or schools closed prior to completion.
  - Implementing regulations are currently delayed, without clear communication to borrowers about what the changes mean for them.
  - Through a combination of BPPE and CSAC records, the state could reach out to students for whom state relief might complement federal relief, such as students with private debt as well as federal debt.

# Questions?

[dcochrane@ticas.org](mailto:dcochrane@ticas.org)

510-318-7901

# Student Debt in California: New data on accumulated debt

December 2020

Hans Johnson

Supported with funding from the Sutton Family Fund

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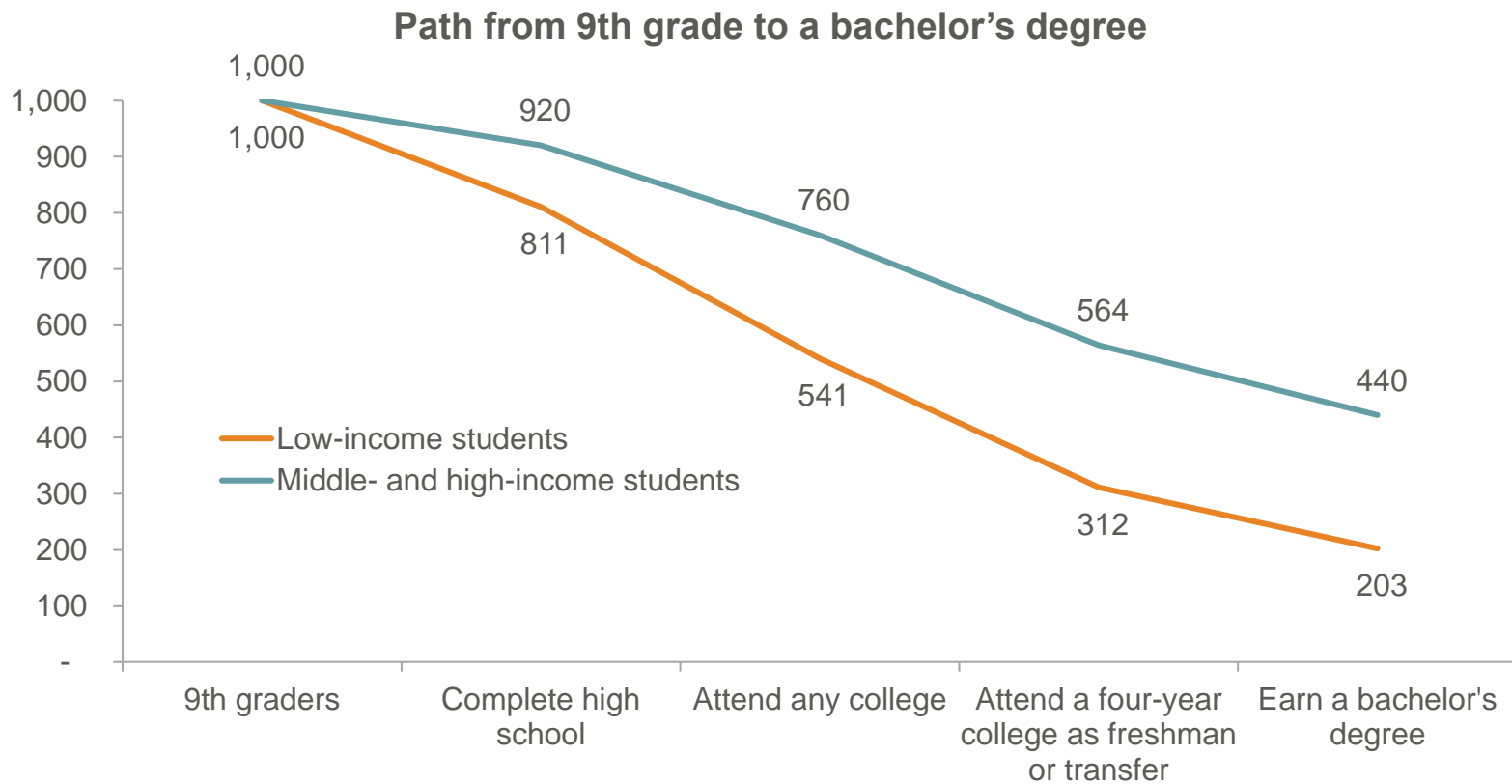


**PPIC**

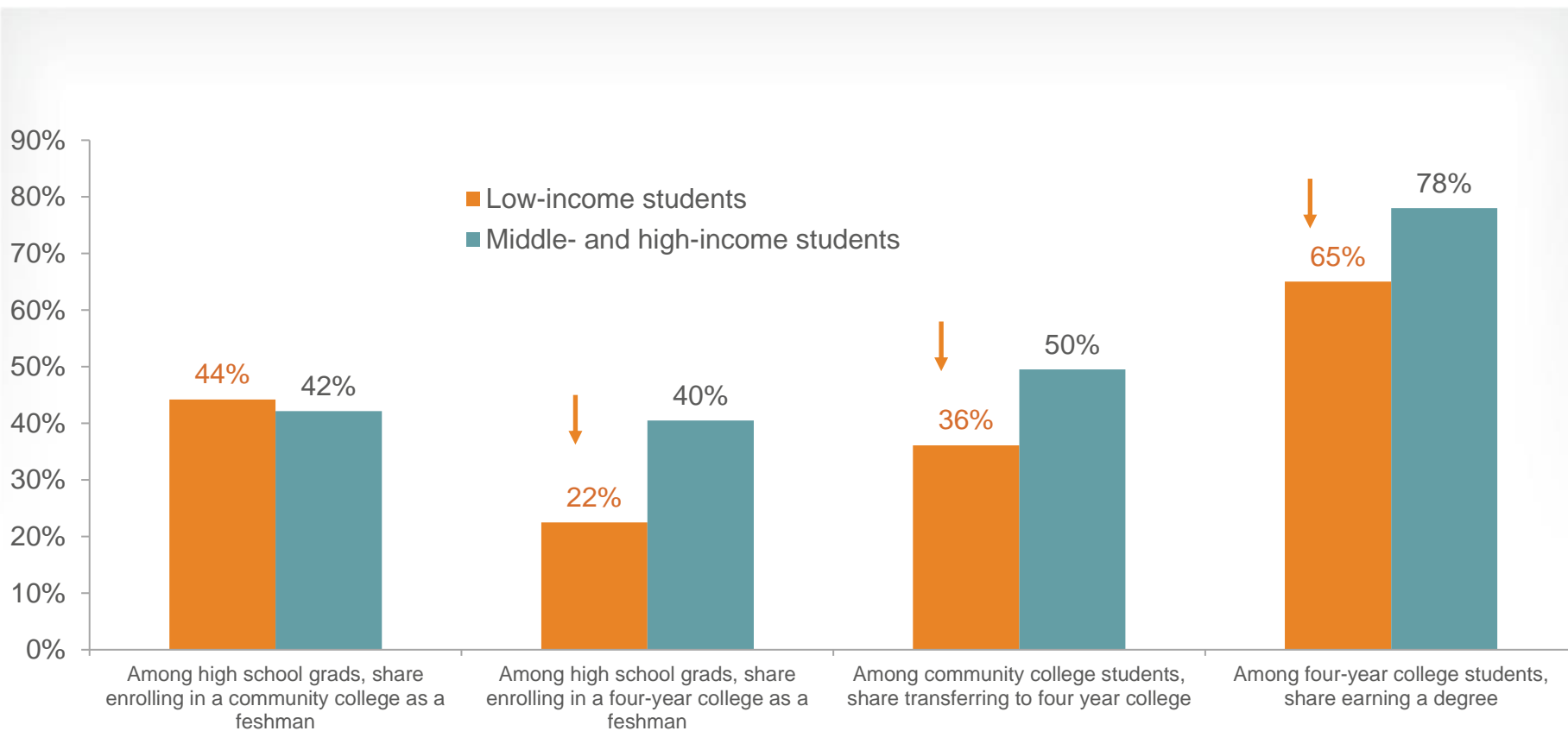
PUBLIC POLICY  
INSTITUTE OF CALIFORNIA

# Context:

## Too few low-income students complete college

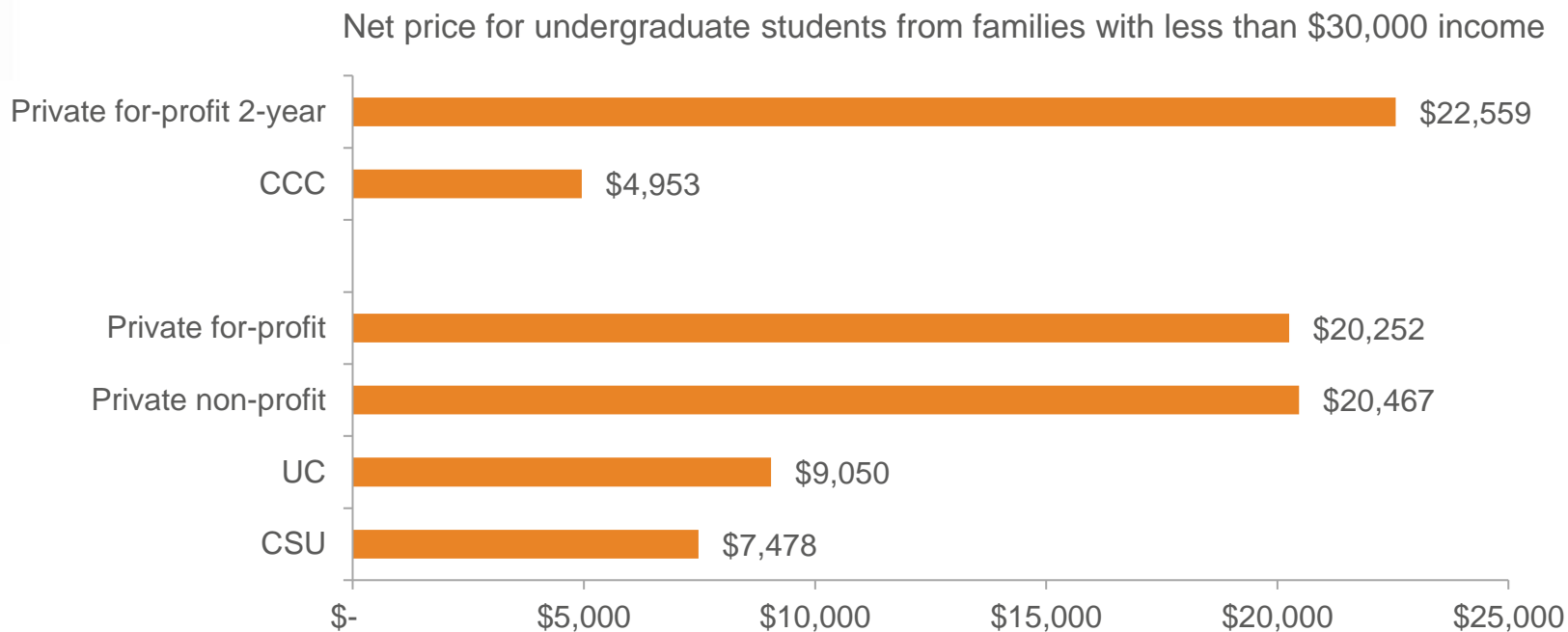


# Low-income students face barriers at three key points on the pathway





# Context: College costs are burdensome for low-income students



Source: PPIC based on IPEDS data for the 2017-18 academic year

Note: Net cost is the difference between total cost and grant aid.

# College Scorecard data allow for examination of cumulative debt among recent college graduates

- Data collected by the US Department of Education (IPEDS and National Student Loan Data System)
- Includes vast majority of higher education institutions in the United States
- Debt presented here includes student debt (Stafford Loans and Graduate Direct PLUS loans), but not Parent PLUS Loans
- “Field of Study” data includes cumulative debt for graduates by institution, by credential level, and by field of study (major)
- Data is suppressed for cell sizes of 9 or fewer students

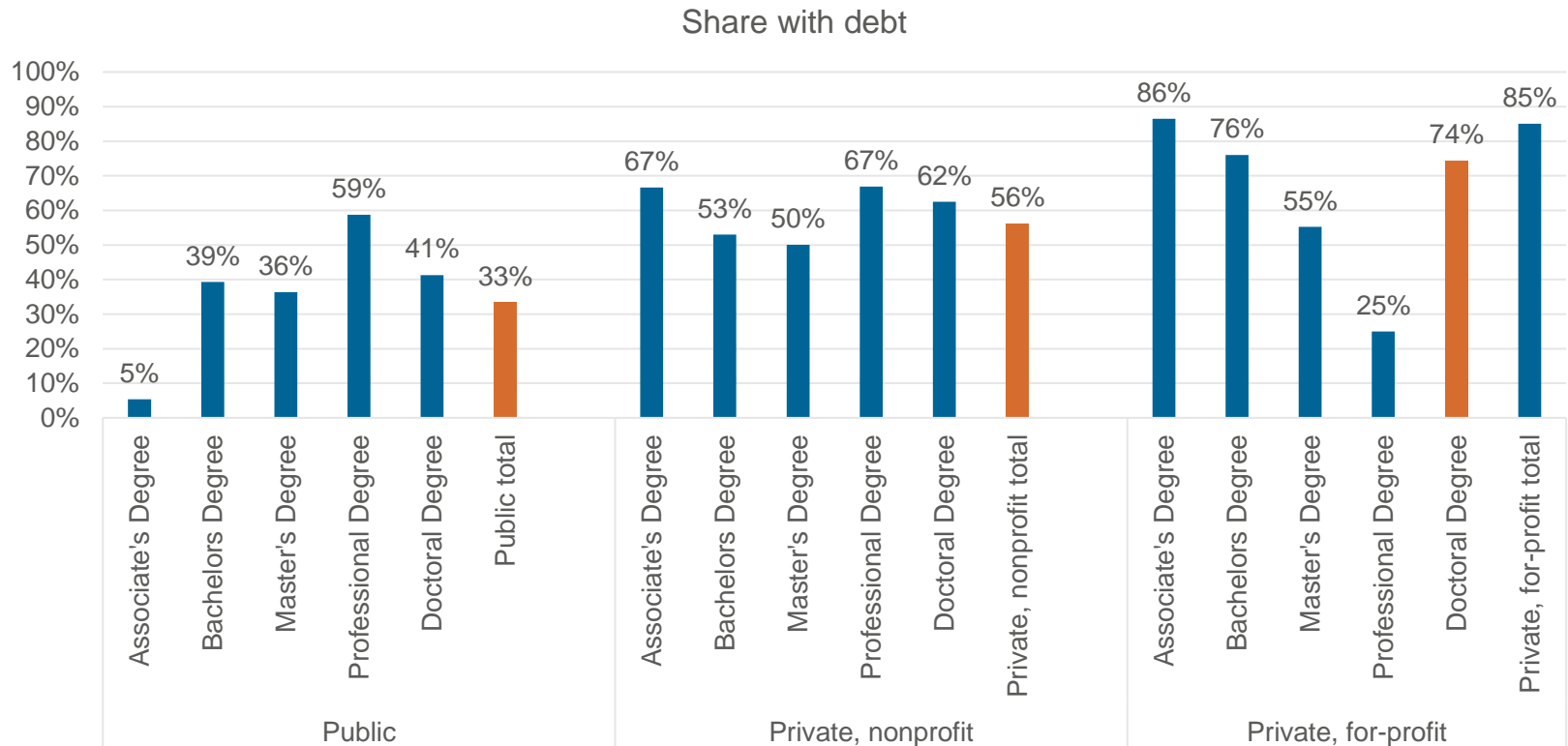
# College debt is ubiquitous

- Nationwide, 6.9 million college students graduated with debt in 2016-17 and 2017-18 (65% of all graduates)
  - Total debt of those graduates was almost \$200 billion
  - Average debt was \$28,600
- In California, over 400,000 students graduated with debt (52% of all graduates)
  - Total debt was almost \$11 billion
  - Average debt was \$26,400

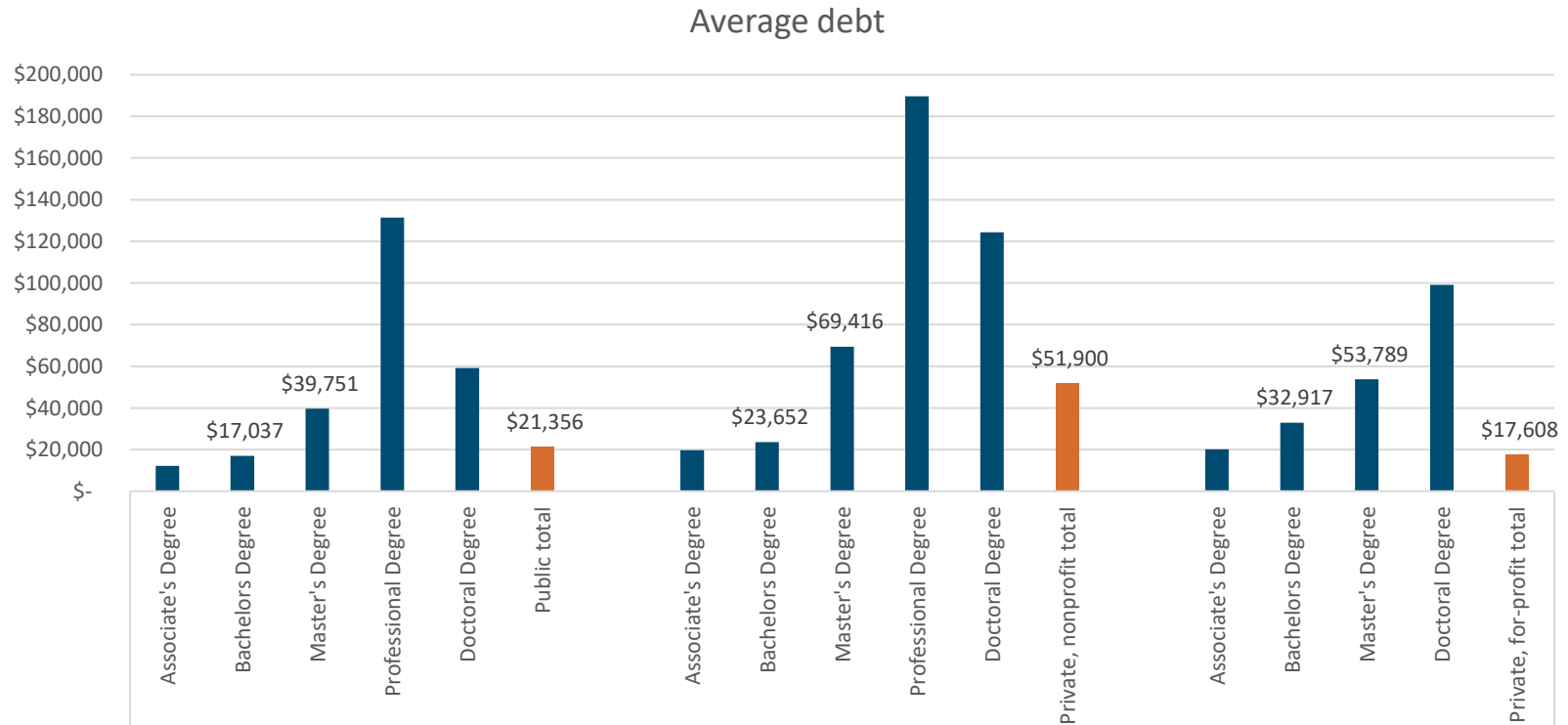
# Debt varies by institution type, credential, and field of study

- Graduates of private colleges are more likely to have debt and have higher levels of debt than graduates of public colleges
- Graduates with professional degrees accrue the most debt
- Pell recipients accrue higher debt amounts, controlling for credential level
- Graduates of public colleges in California are less likely to graduate with debt and amounts are lower than at public colleges in the rest of the U.S.

# The share of graduates with debt varies widely by sector and credential level



# The amount of debt varies widely by sector and credential level



# Fields of study with the highest average graduate debt

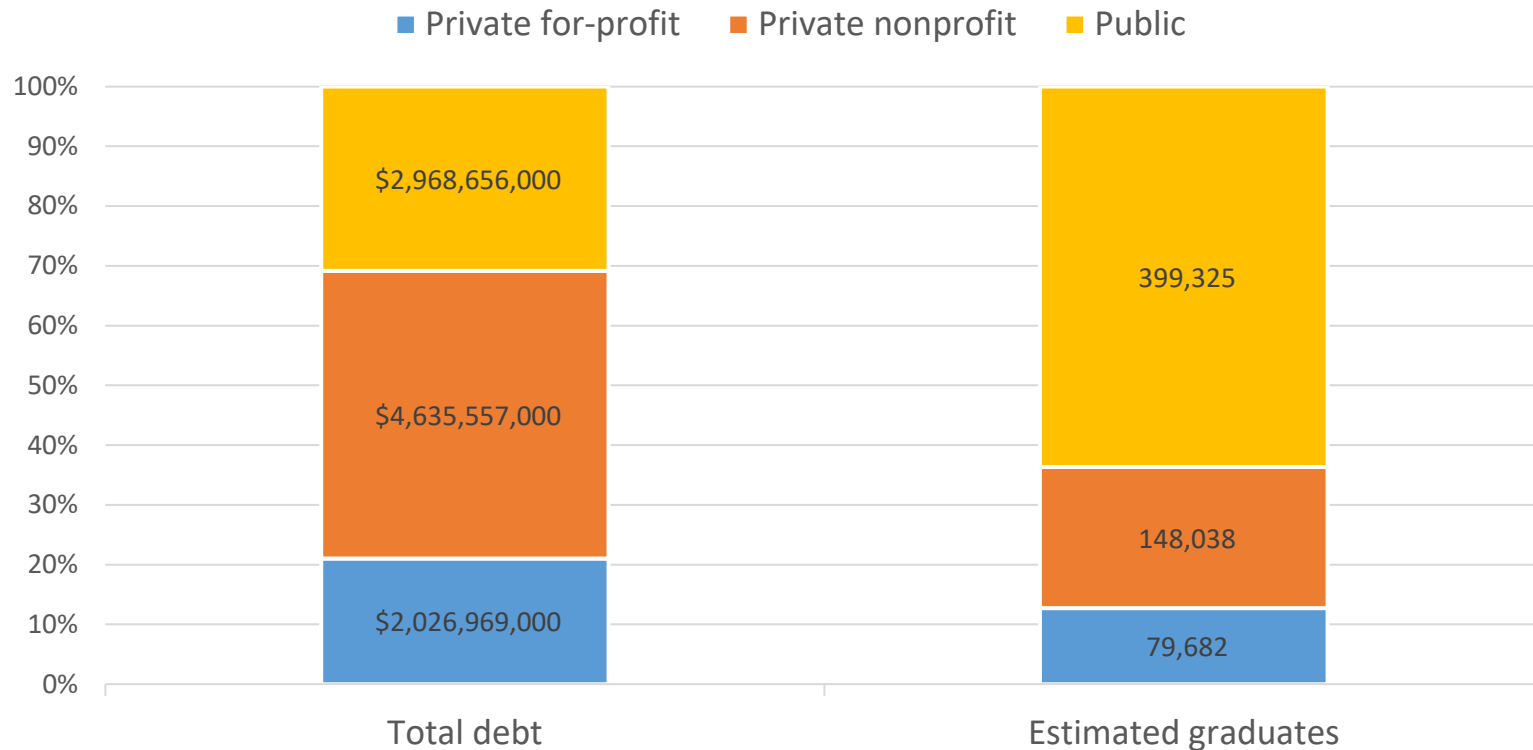
Field of study	Graduate cumulative debt	Credential
Dentistry	\$ 184,819	First Professional Degree
Medicine	\$ 139,884	First Professional Degree
Optometry	\$ 132,362	First Professional Degree
Health Professions and Related Clinical Sciences, Other	\$ 129,529	Master's Degree
Law	\$ 123,450	First Professional Degree
Pharmacy, Pharmaceutical Sciences, and Administration	\$ 114,288	First Professional Degree
Film/Video and Photographic Arts	\$ 101,201	Master's Degree
Rehabilitation and Therapeutic Professions	\$ 91,334	First Professional Degree
Architecture	\$ 85,381	Master's Degree
Public Health	\$ 74,262	Doctoral Degree
Medical Clinical Sciences/Graduate Medical Studies	\$ 71,026	Master's Degree
Communication Disorders Sciences and Services	\$ 68,085	Doctoral Degree
Education, General	\$ 64,246	Doctoral Degree
Educational Administration and Supervision	\$ 62,367	Doctoral Degree
Journalism	\$ 59,992	Master's Degree
Business Administration, Management and Operations	\$ 58,571	Master's Degree
Visual and Performing Arts, General	\$ 56,926	Master's Degree
Registered Nursing, Nursing Admin, Nursing Research and Clinical	\$ 55,624	Master's Degree
Legal Research and Advanced Professional Studies	\$ 54,932	Master's Degree
Library Science, Other	\$ 54,627	Master's Degree

# Programs with the highest graduate debt in California

College	Field	Average debt	Credential	Number of graduates with debt
University of Southern California	Dentistry	\$ 374,531	First Professional Degree	251
Western University of Health Sciences	Dentistry	\$ 364,776	First Professional Degree	118
University of the Pacific	Dentistry	\$ 341,309	Master's Degree	12
University of Southern California	Dentistry	\$ 331,530	Graduate/Professional Certificate	37
University of the Pacific	Dentistry	\$ 320,997	First Professional Degree	227
Loma Linda University	Dentistry	\$ 298,547	First Professional Degree	161
Loma Linda University	Dentistry	\$ 277,441	Graduate/Professional Certificate	31
Keck Graduate Institute	Pharmaceutical Sciences	\$ 243,806	First Professional Degree	58
University of Southern California	Pharmaceutical Sciences	\$ 239,246	Doctoral Degree	28
Touro University California	Pharmaceutical Sciences	\$ 227,561	First Professional Degree	87
Fuller Theological Seminary	Psychology	\$ 226,083	Doctoral Degree	25
Western University of Health Sciences	Pharmaceutical Sciences	\$ 221,535	First Professional Degree	227
Chapman University	Pharmaceutical Sciences	\$ 220,106	First Professional Degree	68
University of Southern California	Medicine	\$ 215,071	First Professional Degree	214
Saybrook University	Psychology	\$ 213,130	Doctoral Degree	44



# Most debt is held by graduates of private colleges; Most graduates are from public colleges



Note: Excludes certificates

# Methods

- If mean debt was not reported, median was used
  - Where both are reported, the differences are not large
- If mean or median debt was reported AND the number of graduates with debt was suppressed (meaning fewer than 10 graduates with debt), then the number of graduates with debt was set at 5.
  - Very few institutions reported graduate debt AND suppressed the number of graduates with debt.
- The number of graduates was based on IPEDS data.
  - In a few cases where the number of graduates with debt exceeded the number of graduates, the number of graduates was set to the number of graduates with debt.
- These results are preliminary.

Cumulative debt of college graduates in California, 2016-17 and 2017-18						
		Average debt	Share with debt	Number with debt	Estimated graduates	Total debt
Public	Undergraduate Certificate	\$ 10,484	3%	540	17,266	\$ 5,661,000
	Associate's Degree	\$ 12,206	5%	2,883	53,308	\$ 35,190,000
	Bachelors Degree	\$ 17,037	39%	119,354	303,497	\$ 2,033,464,000
	Master's Degree	\$ 39,751	36%	13,482	37,070	\$ 535,920,000
	Professional Degree	\$ 131,451	59%	2,570	4,375	\$ 337,828,000
	Doctoral Degree	\$ 59,132	41%	444	1,075	\$ 26,255,000
	Public total	\$ 21,356	33%	139,273	416,591	\$ 2,974,317,000
Private, nonprofit	Undergraduate Certificate	\$ 7,112	89%	12,483	13,960	\$ 88,780,000
	Associate's Degree	\$ 19,796	67%	2,030	3,048	\$ 40,186,000
	Bachelors Degree	\$ 23,652	53%	35,006	66,018	\$ 827,963,000
	Master's Degree	\$ 69,416	50%	33,222	66,406	\$ 2,306,124,000
	Professional Degree	\$ 189,628	67%	6,598	9,862	\$ 1,251,164,000
	Doctoral Degree	\$ 124,405	62%	1,689	2,704	\$ 210,120,000
	Private, nonprofit total	\$ 51,900	56%	91,028	161,998	\$ 4,724,337,000
Private, for-profit	Undergraduate Certificate	\$ 9,677	91%	123,911	135,774	\$ 1,199,083,000
	Associate's Degree	\$ 20,139	86%	19,413	22,454	\$ 390,952,000
	Bachelors Degree	\$ 32,917	76%	28,974	38,118	\$ 953,739,000
	Master's Degree	\$ 53,789	55%	8,793	15,909	\$ 472,970,000
	Professional Degree	\$ 90,010	25%	130	521	\$ 11,701,000
	Doctoral Degree	\$ 99,151	74%	1,993	2,680	\$ 197,607,000
	Private, for-profit total	\$ 17,608	85%	183,214	215,456	\$ 3,226,052,000
<b>Total</b>	<b>\$ 26,419</b>	<b>52%</b>	<b>413,515</b>	<b>794,045</b>	<b>\$ 10,924,707,000</b>	

Source: PPIC estimates based on College Scorecard reporting of IPEDS and NSLDS data

# Student Debt in California: New data on accumulated debt

December 2020

California Student Loan & Debt Service Review Workgroup

Hans Johnson

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**PPIC**

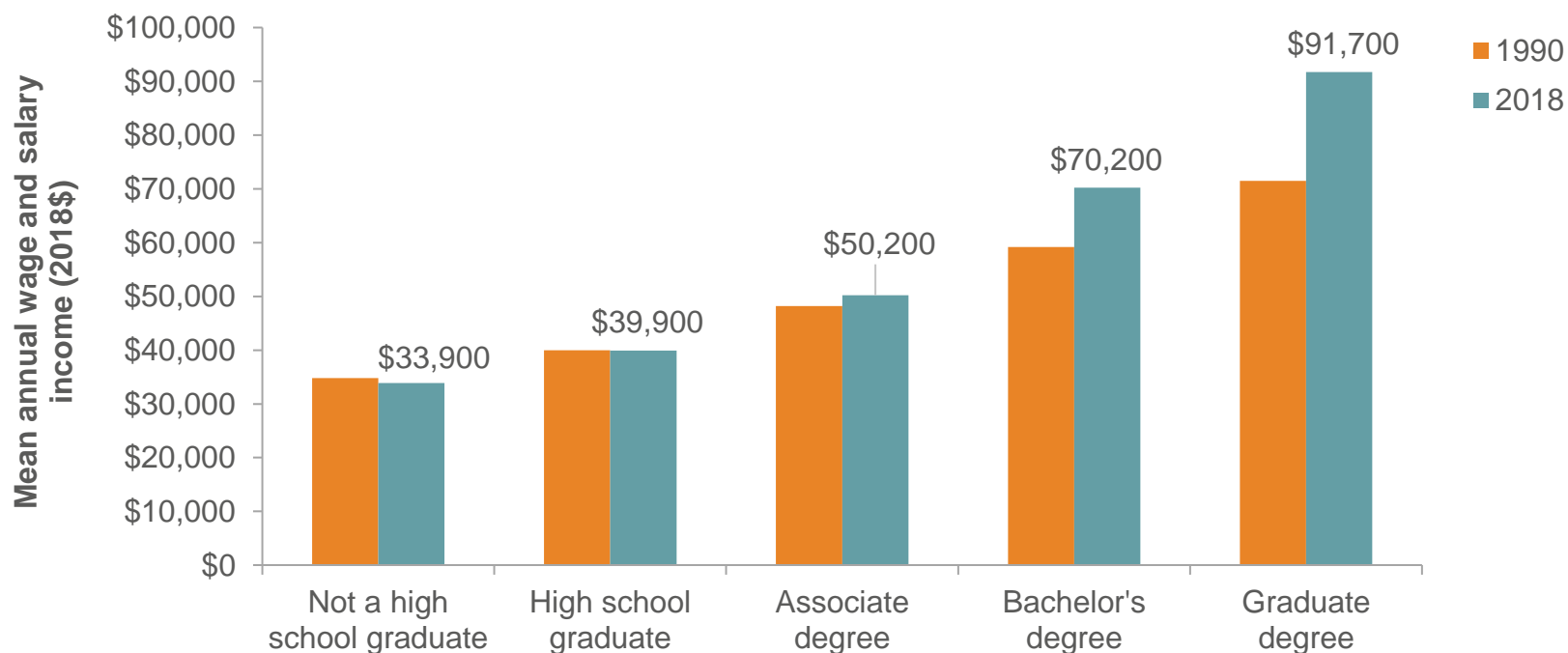
PUBLIC POLICY  
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**Extra slides follow**

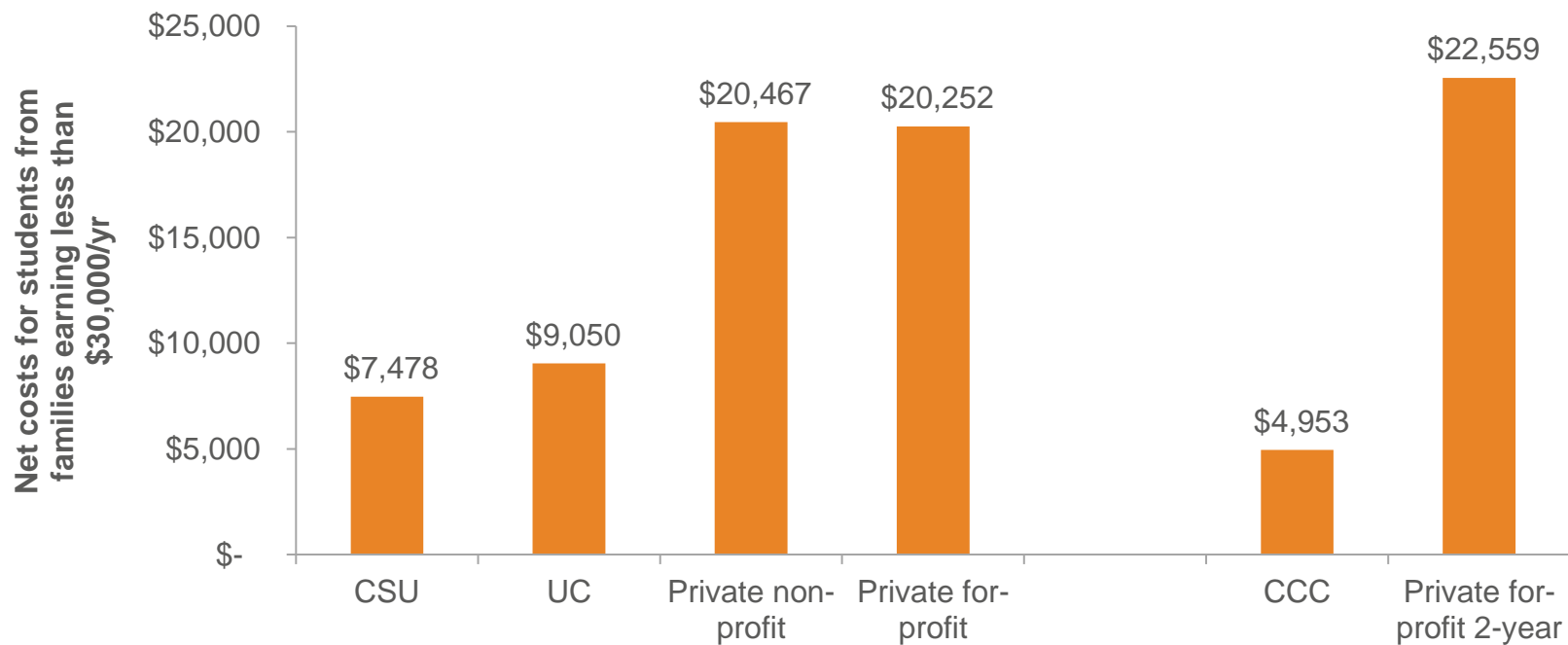
# Nationwide, dentistry programs had the highest average debt

College	Field	Average debt
New York University	Dentistry	\$ 381,632
A T Still University of Health Sciences	Dentistry	\$ 346,126
University of Detroit Mercy	Dentistry	\$ 323,121
Tufts University	Dentistry	\$ 311,982
Lake Erie College of Osteopathic Medicine	Dentistry	\$ 310,626
Columbia University in the City of New York	Dentistry	\$ 309,067
University of Detroit Mercy	Dentistry	\$ 308,737
Medical University of South Carolina*	Dentistry	\$ 308,139
Case Western Reserve University	Dentistry	\$ 307,977
University of Nevada-Las Vegas*	Dentistry	\$ 296,619
Boston University	Dentistry	\$ 292,797
Oregon Health & Science University*	Dentistry	\$ 284,853
Howard University	Dentistry	\$ 282,015
Boston University	Dentistry	\$ 280,018
Columbia University in the City of New York	Dentistry	\$ 274,104

# Wages are high for college graduates in California

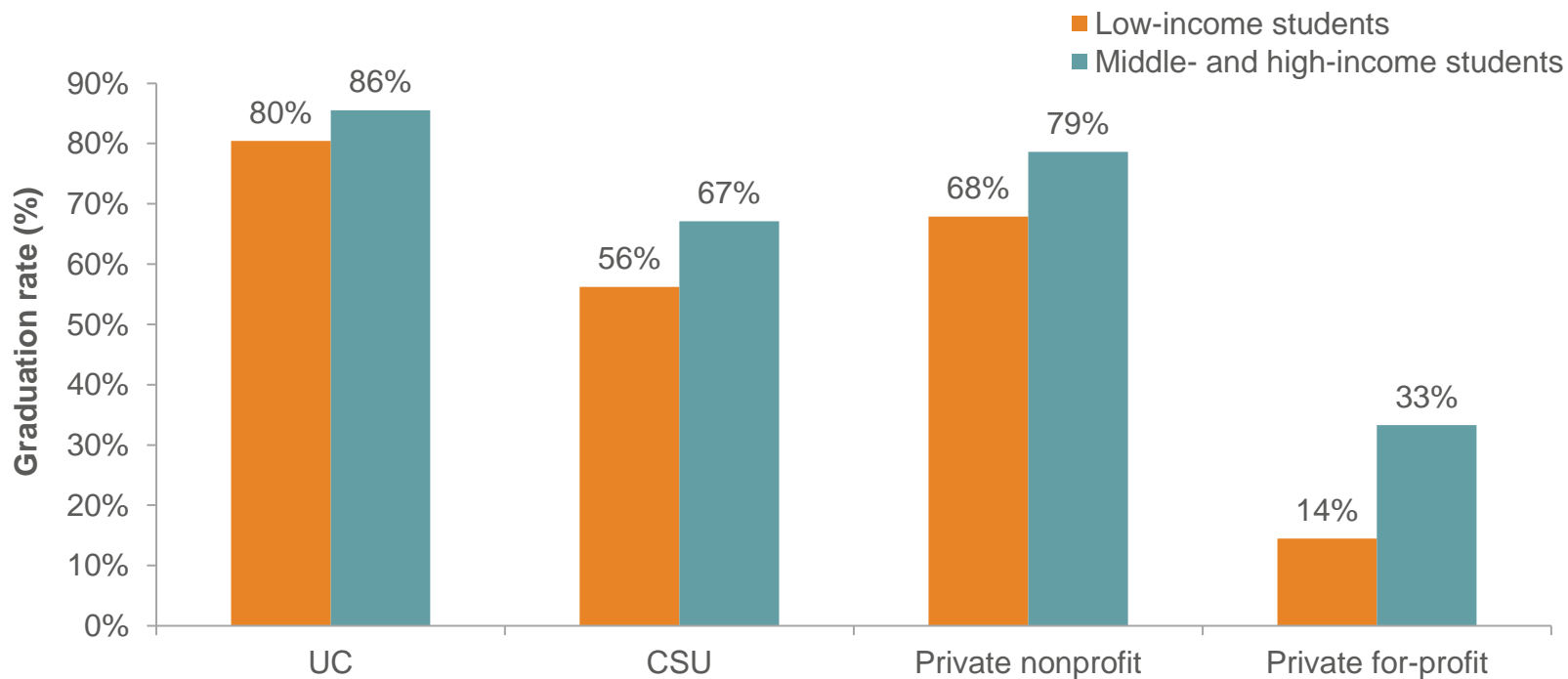


# College costs are burdensome for low-income students





# Low-income students have lower graduation rates



# Student Debt in California: New data on accumulated debt

December 2020

California Student Loan & Debt Service Review Workgroup

Hans Johnson

Supported with funding from the Sutton Family Fund

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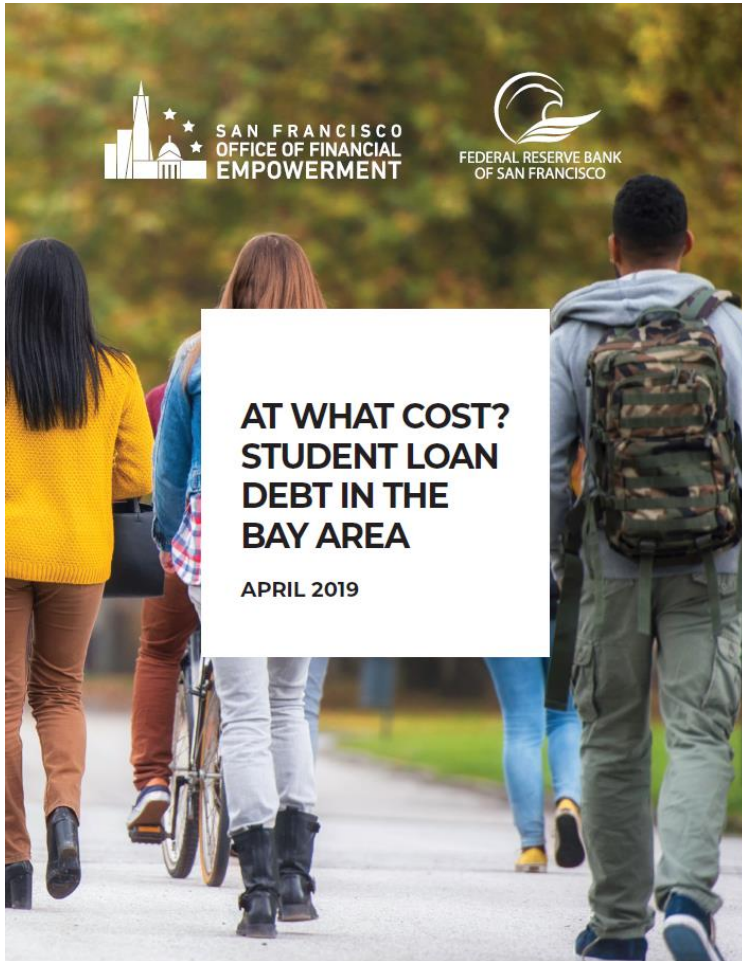


**PPIC**

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# BREAK

*We will resume at 9:30 am*



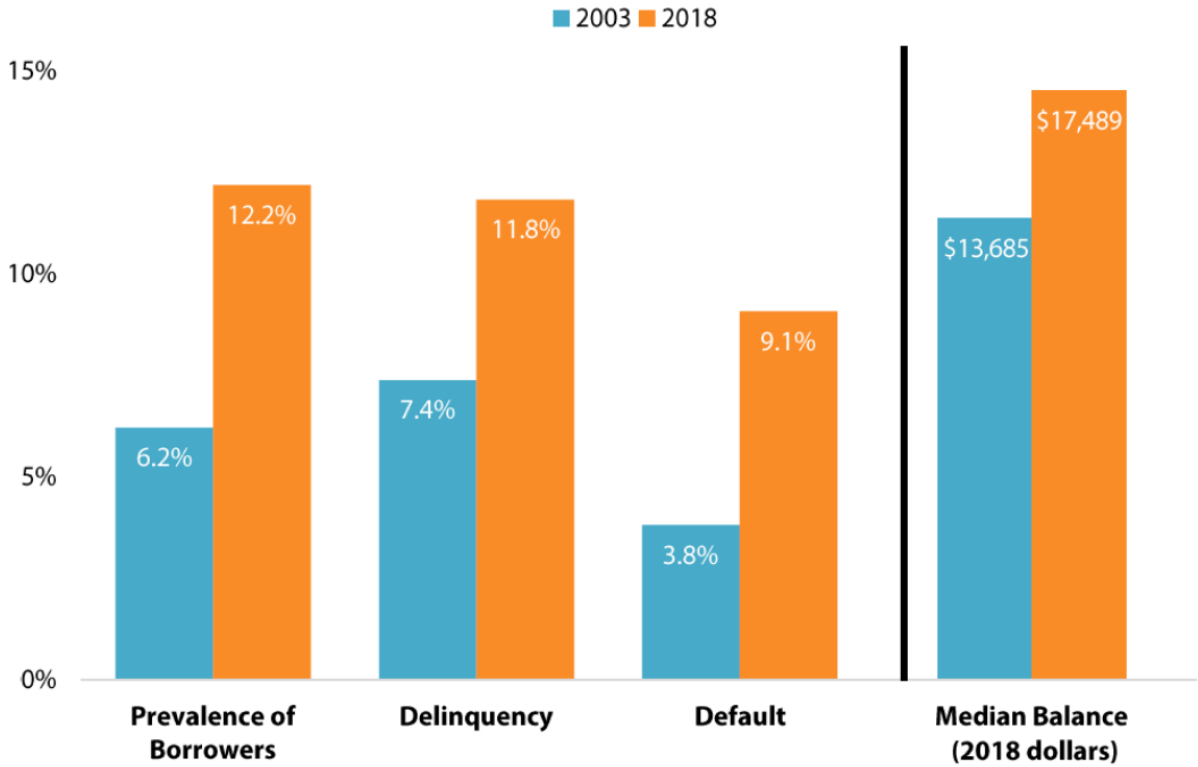
## **At What Cost? Student Loan Debt in the Bay Area**

*California Student Loan &  
Debt Service Review  
Workgroup*

*12.10.20*

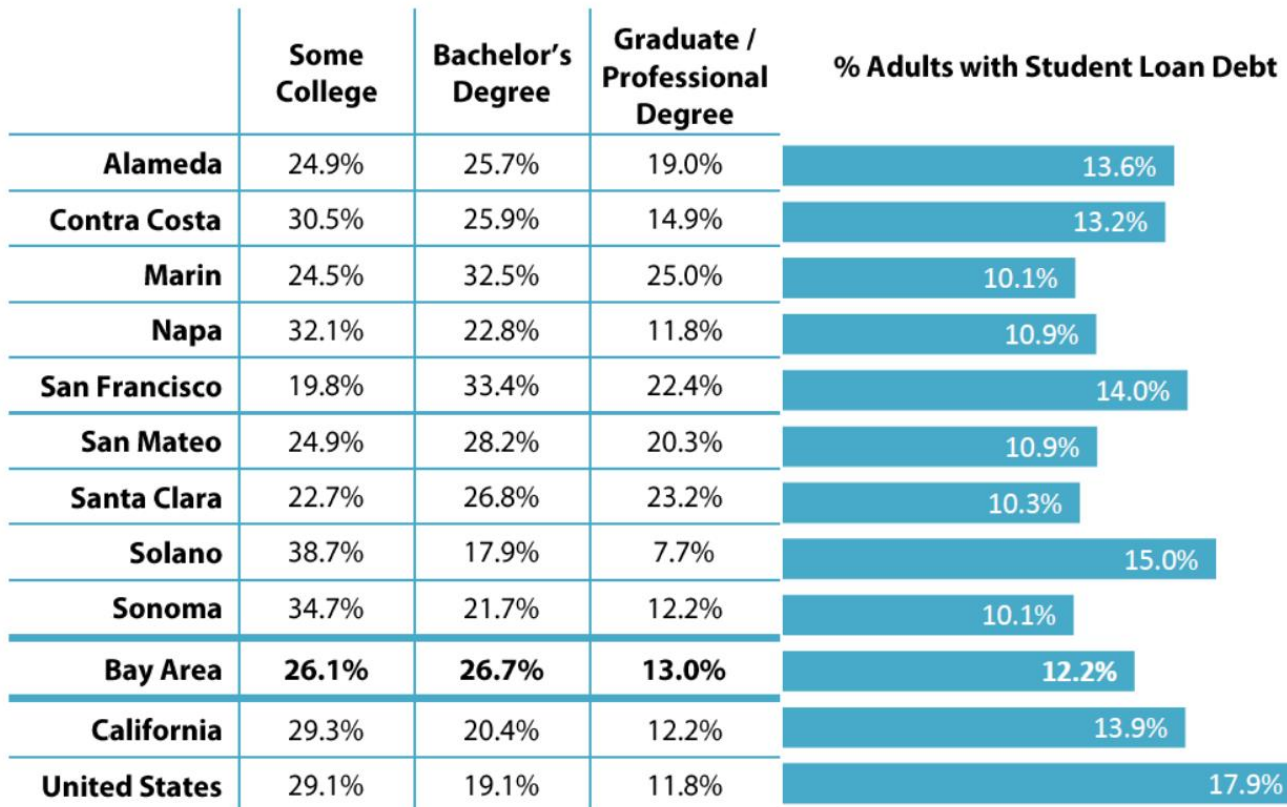
*The views expressed are those of the authors  
and not necessarily those of the Federal Reserve  
Bank of San Francisco or the Federal Reserve  
System.*

# Substantial increase in debt, delinquency, default since 2003



Source: FRBNY Consumer Credit Panel/Equifax Data, Census 2000, and 2013-2017 American Community Survey.

# Educational attainment and prevalence of student debt, 2018



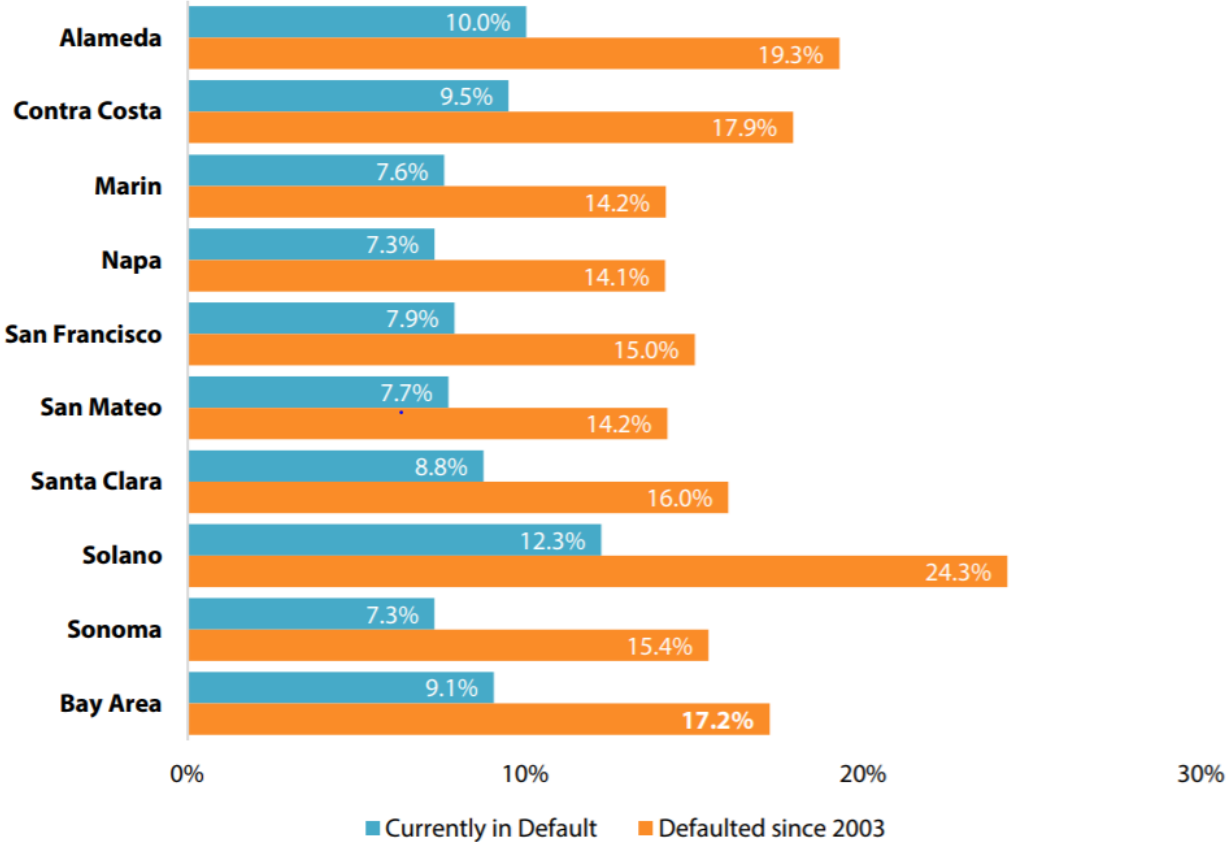
Source: FRBNY Consumer Credit Panel/Equifax Data; 2013-2017 American Community Survey.

## Default by county (and as percentage of delinquency), 2018

	Default as Percent of Delinquency	Percent in Default
<b>Alameda</b>	74.7%	10.0%
<b>Contra Costa</b>	74.7%	9.5%
<b>Marin</b>	82.5%	7.6%
<b>Napa</b>	89.8%	7.3%
<b>San Francisco</b>	78.0%	7.9%
<b>San Mateo</b>	77.6%	7.7%
<b>Santa Clara</b>	77.6%	8.8%
<b>Solano</b>	72.9%	12.3%
<b>Sonoma</b>	93.0%	7.3%
<b>Bay Area</b>	<b>76.7%</b>	<b>9.1%</b>

Source: FRBNY Consumer Credit Panel/Equifax Data

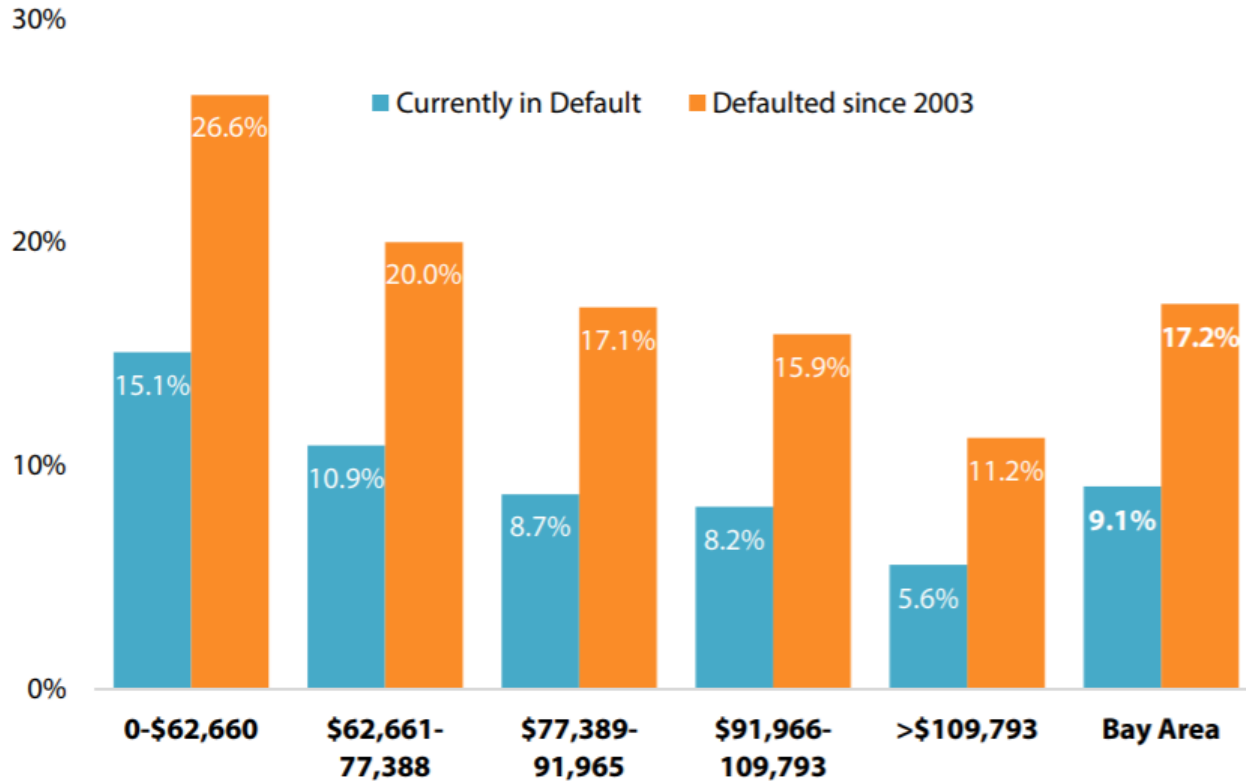
# Current default and default since 2003 by county, 2018



Source: FRBNY Consumer Credit Panel/Equifax Data

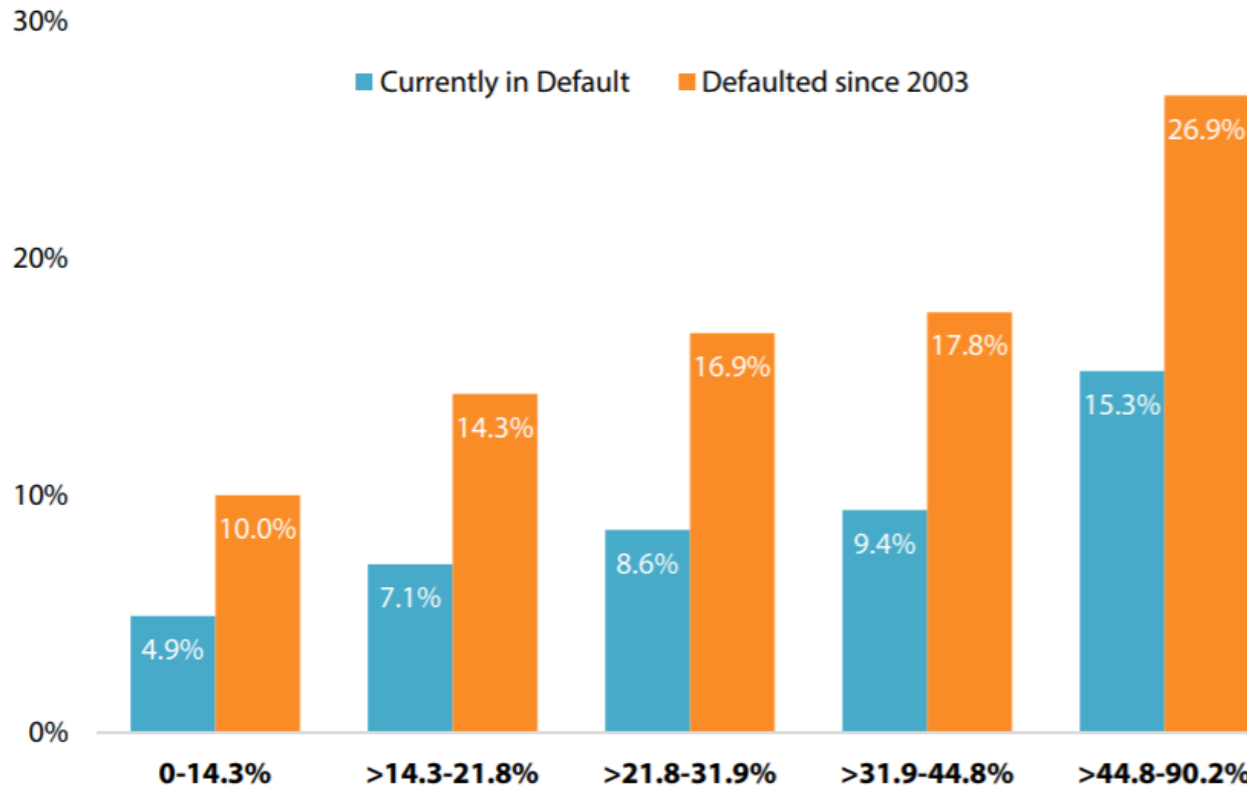


# Higher borrower distress in lower-income neighborhoods



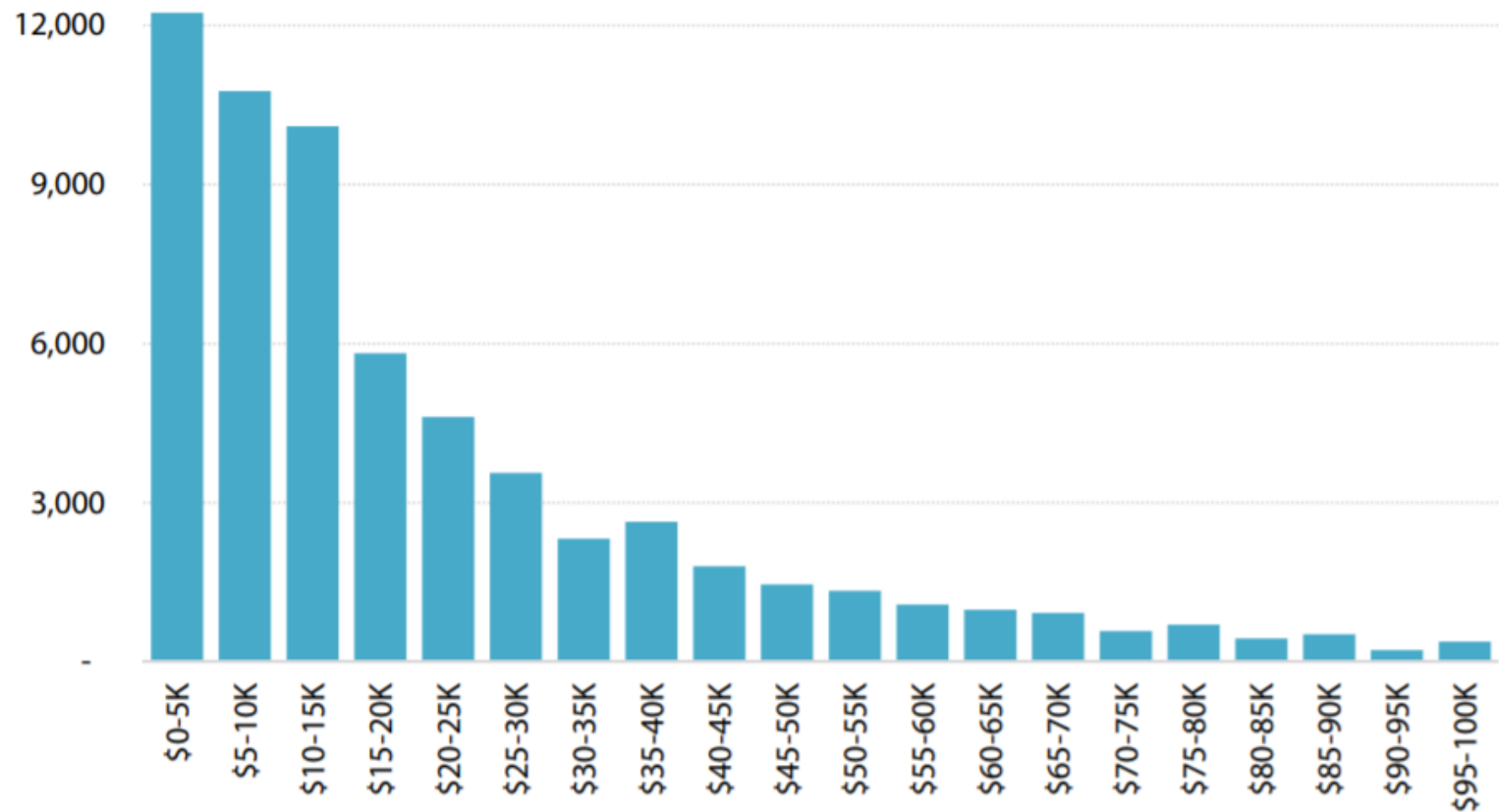
Source: FRBNY Consumer Credit Panel/Equifax Data; 2013-2017 American Community Survey

# Higher borrower distress in neighborhoods with high percentages of Black and Hispanic residents



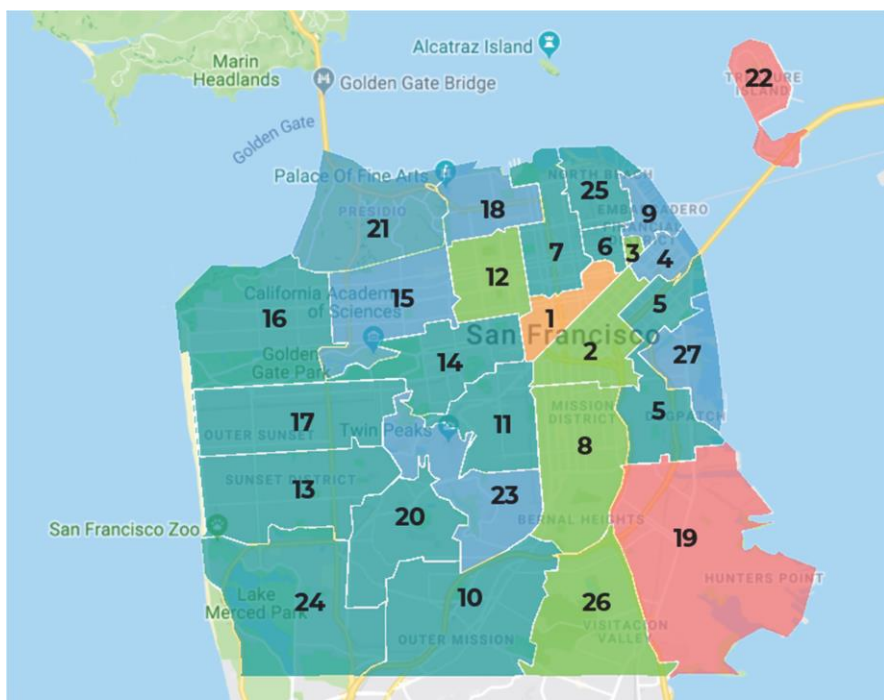
Source: FRBNY Consumer Credit Panel/Equifax Data; 2013-2017 American Community Survey

# Number of Bay Area borrowers in default by loan balance



Source: FRBNY Consumer Credit Panel/Equifax Data

# Percent of San Francisco borrowers who have defaulted since 2003



	Zip Code	Neighborhood	Percent Default Since 2003
1	94102	Hayes Valley/Tenderloin/Mid-Market	25.0%
2	94103	South of Market	21.4%
3	94104	Financial District	17.6%
4	94105	South of Market/Rincon Hill	8.4%
5	94107	Potrero Hill	12.6%
6	94108	Chinatown	13.2%
7	94109	Polk/Russian Hill	15.0%
8	94110	Inner Mission/Bernal Heights	16.6%
9	94111	Financial District/Embarcadero	8.7%
10	94112	Ingleside-Excelsior/Crocker-Amazon	16.2%
11	94114	Castro/Noe Valley	11.5%
12	94115	Western Addition/Japantown	16.5%
13	94116	Parkside/Forest Hill	13.9%
14	94117	Haight-Ashbury	14.6%
15	94118	Inner Richmond	8.9%
16	94121	Outer Richmond	10.8%
17	94122	Sunset	11.3%
18	94123	Marina	2.4%
19	94124	Bayview-Hunters Point	35.0%
20	94127	Miraloma/West Portal	12.9%
21	94129	Presidio	6.7%
22	94130	Treasure Island	46.2%
23	94131	Twin Peaks-Glen Park	8.9%
24	94132	Lake Merced	16.1%
25	94133	North Beach/Chinatown	15.3%
26	94134	Visitation Valley/Sunnydale	21.0%
27	94158	Mission Bay	8.2%
	<b>San Francisco</b>		<b>15.0%</b>

## Key Takeaways

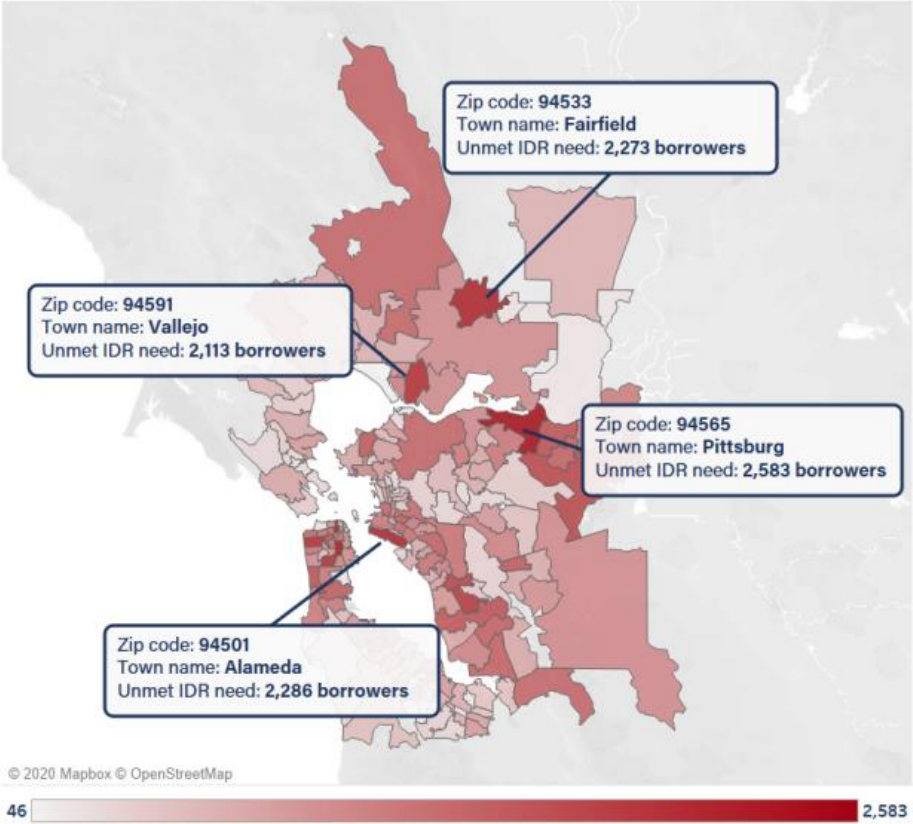
- Student loan prevalence, balances, delinquency and default have increased in the last 15 years
- There is considerable variation in borrower distress at the zip code level
- Higher rates of delinquency and default are found in low-income neighborhoods and neighborhoods with high percentages of Black and Hispanic residents
- Borrowers with low student loan balances experience higher levels of delinquency and default
- One in six borrowers have experienced default at some point in the past 15 years

## **What's Happening/What's Next?**

- Free legal advice/assistance (funded by City and County)
- Training for frontline staff – especially financial counseling and coaching
- Policy wins – Borrower Bill of Rights, for-profit oversight, DFPI...
- IDR roadmap/campaign...

# Identifying Unmet Need for Repayment Assistance

Unmet IDR Need (Number of Borrowers)



## **What's Happening/What's Next?**

- We have lots of ideas! And lots of budget constraints! For example:
- College affordability counseling
- Financial coaching
- Student debt clinics
- Debt forgiveness pilot
- Outreach/engagement/movement building



## **State and Local Collaboration**

- DFPI, CSAC, Treasurer...
  - Enhance communications at minimum
  - Outreach and engagement
  - Opportunity to fund or support local efforts (eg Financial Empowerment Fund)
  - Expand the pool of stakeholders – public health, housing, small business...
- 
- **Thank You!**



STUDENT BORROWER  
PROTECTION CENTER

PROTECT BORROWERS

# The civil rights crisis underlying America's student debt crisis

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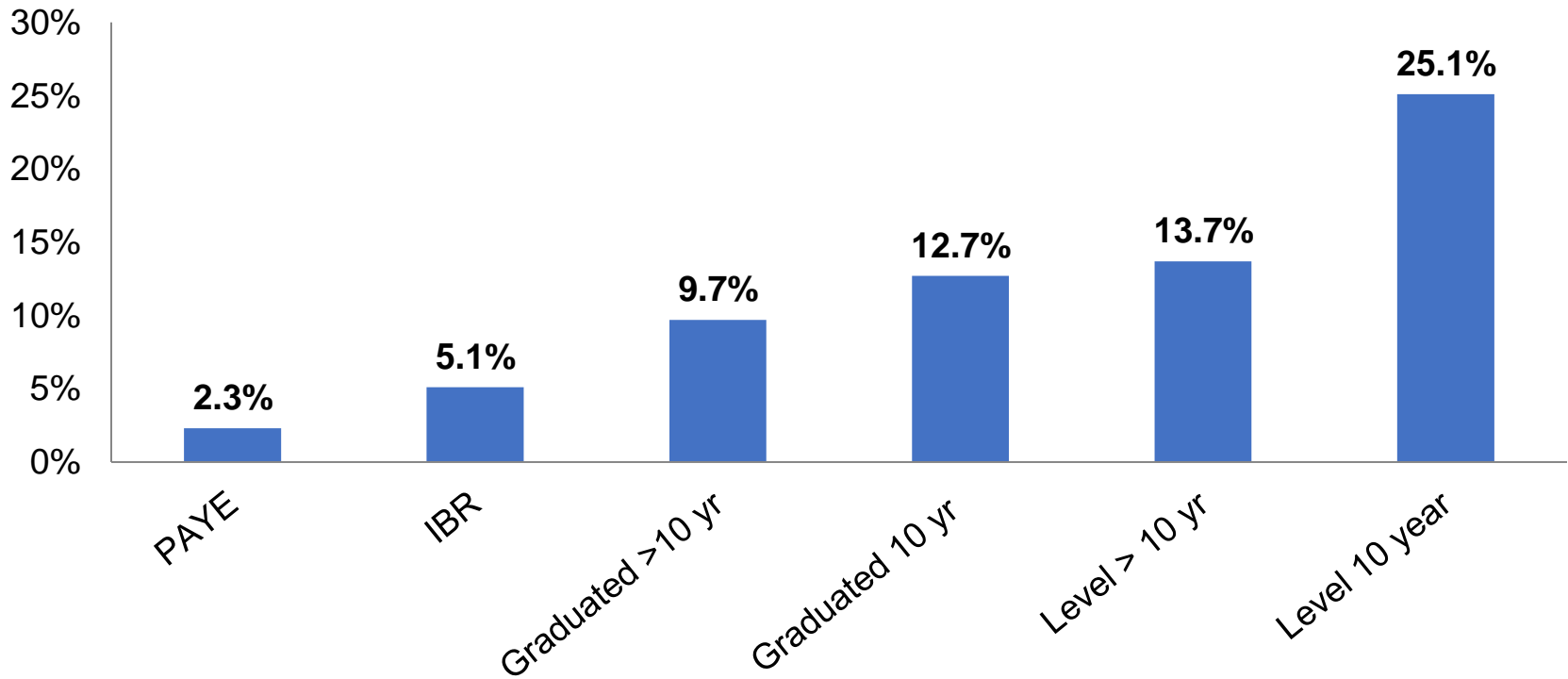
Bonnie Latreille and Katherine Welbeck | December 2020

## Overly narrow definitions of what it means to “struggle” overestimate the student loan infrastructure

Problem	Solution
Runaway college costs	In-school deferment, grace period, IDR, PSLF
Second chance	Rehabilitation and consolidation
Catastrophic event coverage	Disability discharge, closed school discharge, DTR

# Overly narrow definitions of what it means to “struggle” overestimate the student loan infrastructure

Direct Loan delinquency rates by repayment plan



## Overly narrow definitions of what it means to “struggle” overestimate the student loan infrastructure

- **70%** of defaulted borrowers would have been eligible for an IDR payment ([GAO, 2015](#))
- **\$4 billion** in interest charges added to the loans of borrowers steered into multiple consecutive forbearances by Navient ([CFPB v. Navient, 2017](#))
- **60%** of borrowers in IDR miss their recertification deadline ([ED, 2015](#))
- **600,000** borrowers seeking PSLF have not made a single qualifying payment ([FSA, 2019](#))
- **60%** of borrowers who are not reducing their student loan balance are delinquent ([CFPB, 2017](#))

## Overly narrow definitions of what it means to “struggle” overestimate the student loan infrastructure

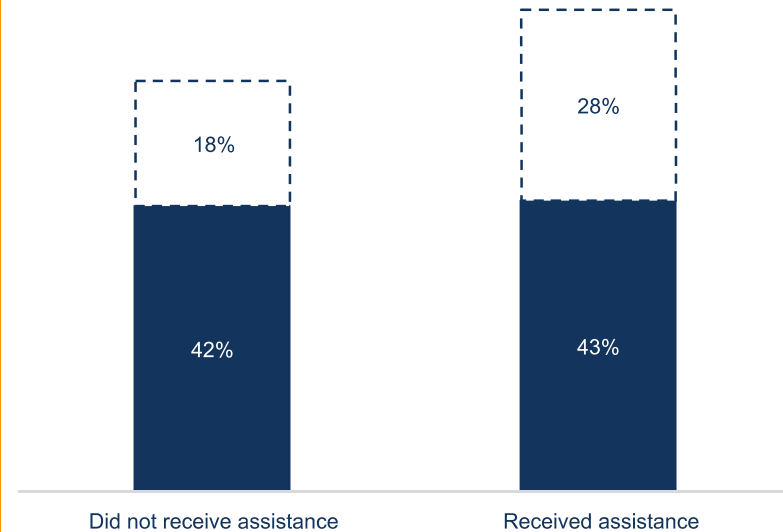
- **9 million** federal student loan borrowers in default (FSA, 2020)
- **Every 26 seconds**, another student loan borrower defaulted in 2019 (SBPC, 2020)
- **9 out of 10** borrowers were not enrolled in IDR within a year of exiting a rehabilitation plan (CFPB, 2016)
- **34%** of borrowers who rehabilitate their loans will re-default within 2 years (CFPB, 2016)
- **\$125 million** in interest charges added to the accounts of re-defaulted borrowers over 2 years (CFPB, 2016)

Overly narrow definitions of what it means to “struggle” overestimate the student loan infrastructure

**More than half of borrowers relying on public assistance programs miss out on IDR**

IDR enrollment by receipt of public assistance

▤ Percent of borrowers who fell behind without accessing IDR  
■ Percent of borrowers making payments in IDR



## Student Loan Company Accused of Mismanaging Debt Forgiveness Program

# New Report Shows Public Service Loan Forgiveness Is A Mess

## Thousands of Grads File Complaints About Dealing With Private Student Loan Companies

REUTERS World Business Markets Politics TV

## Servicing issues may hamper U.S. student-loan forgiveness for thousands

Forbes

## Student Loan Borrowers File New Class Action Lawsuit Over Illegally Seized Tax Refunds

The New York Times <https://nyti.ms/1NuMnUh>

BUSINESS DAY

### A Student Loan System Stacked Against the Borrower

Grade Point

## The number of people defaulting on federal student loans is climbing

The New York Times <https://nyti.ms/1VnlgPx>

STUDENT LOANS

### Loan Servicers Faulted for Some Student Loan Problems

Your Money Adviser

UPI

## Report: Student loan servicers mishandle paperwork, discourage alternative payment plans

## Report finds problems with student loan servicing, oversight

CONSUMERIST

## Student Loan Watchdog Job Given to an Industry Executive

Soaring student loan debt poses risk to nation's future economic growth

BUSINESS

## Senators To CFPB: Why Are You Still Failing To Protect Student Loan Borrowers?



# Emergency relief screw-up hits 5 million student loan borrowers

NOT GETTING ANY EASIER

## Student Loan Servicing Issues Contribute To Older Borrowers' Defaults



## Overly narrow definitions of what it means to struggle overestimate the student loan infrastructure

### Failures in CARES Act implementation

- Continued wage garnishment of tens of thousands of borrowers
- Refunds requested in March and April still have not been issued
- 8.5 million borrowers suffered inaccurate credit furnishing
- Borrowers seeking to cure default denied access to rehabilitation
- Continued billing notices; inaccessible call center staff

## Overly narrow definitions of what it means to struggle underestimate the lived realities of borrowers

- More like to fall behind on other debt payments (FRB, 2015)
- Less ability to buy a home (FRB, 2019)
- Less likely to pursue a job in their chosen field or graduate education (Weidner, 2016)
- Higher priced mortgages, auto loans, and credit cards (SBPC, 2020)
- Less wealth accumulation (Pew, 2014)
- Less retirement savings (Egoian, 2013)

# Student loan borrowers pay a “secret price” for other forms of credit

Student loan borrowers face higher rates on auto loans, mortgages, and credit cards

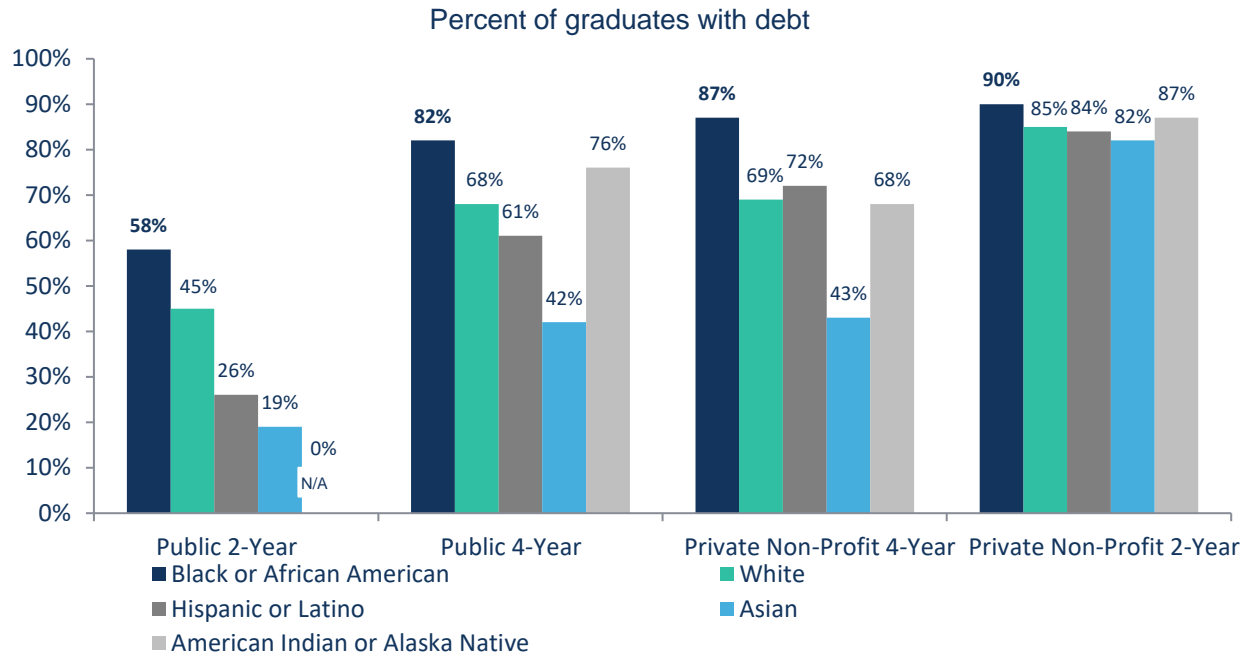
<b>Typical Borrower Bundle</b>		
Auto loan: \$32,797 balance, 70 month term Mortgage: \$354,000 balance, 360 month term Credit card: \$6,194 balance, 60 month term		
Baseline level of student debt stress	Moderate level of student debt stress	High level of student debt stress
<b>\$39,625</b>	<b>\$40,927</b>	<b>\$42,915</b>
Total auto loan cost	Total auto loan cost	Total auto loan cost
<b>\$651,189</b>	<b>\$661,119</b>	<b>\$676,538</b>
Total mortgage cost	Total mortgage cost	Total mortgage cost
<b>\$8,672</b>	<b>\$8,914</b>	<b>\$9,101</b>
Total credit card cost	Total credit card cost	Total credit card cost
<b>\$699,487</b>	<b>\$710,959</b>	<b>\$728,553</b>
Total combined cost	Total combined cost	Total combined cost
<b>The secret price tag of student debt: +\$29,066</b>		

## Overly narrow definitions of what it means to struggle underestimate the lived realities of borrowers

- **Reducing saving for borrowers' own children** (Martin et al, 2020)
- **Encouraging flight out of rural communities** (Morpeth, 2019)
- **400,000 fewer home purchases by millennials** (FRB, 2019)
- **Delaying marriage and family planning** (Rauscher & Elliott, 2016)
- **2 million fewer businesses between 2006 and 2015** (Busteed, 2015)
- **More likely to owe credit card debt** (FRB, 2015)
- **Reducing small business formation by 14%** (Ambrose et al, 2015)
- **60-70% reduction in likelihood of attending graduate school** (Gale, 2014)
- **Reduced emergency savings** (Fry, 2014)
- **More likely to be delinquent on other debt** (Thompson & Bricker, 2014)
- **Reducing net worth by seven times that of non-borrowers** (Fry, 2014; Cooper & Wang, 2014)
- **Reducing economic mobility** (Cooper & Wang, 2014)
- **Reducing the home-ownership rate of millennials** (Brown & Caldwell, 2013)
- **Lessening lifetime wealth by \$200,000** (Hiltonsmith, 2013)
- **Reducing average retirement savings by \$115,000** (Egoian, 2013)
- **More likely to be denied other consumer credit** (Thompson & Bricker, 2009)

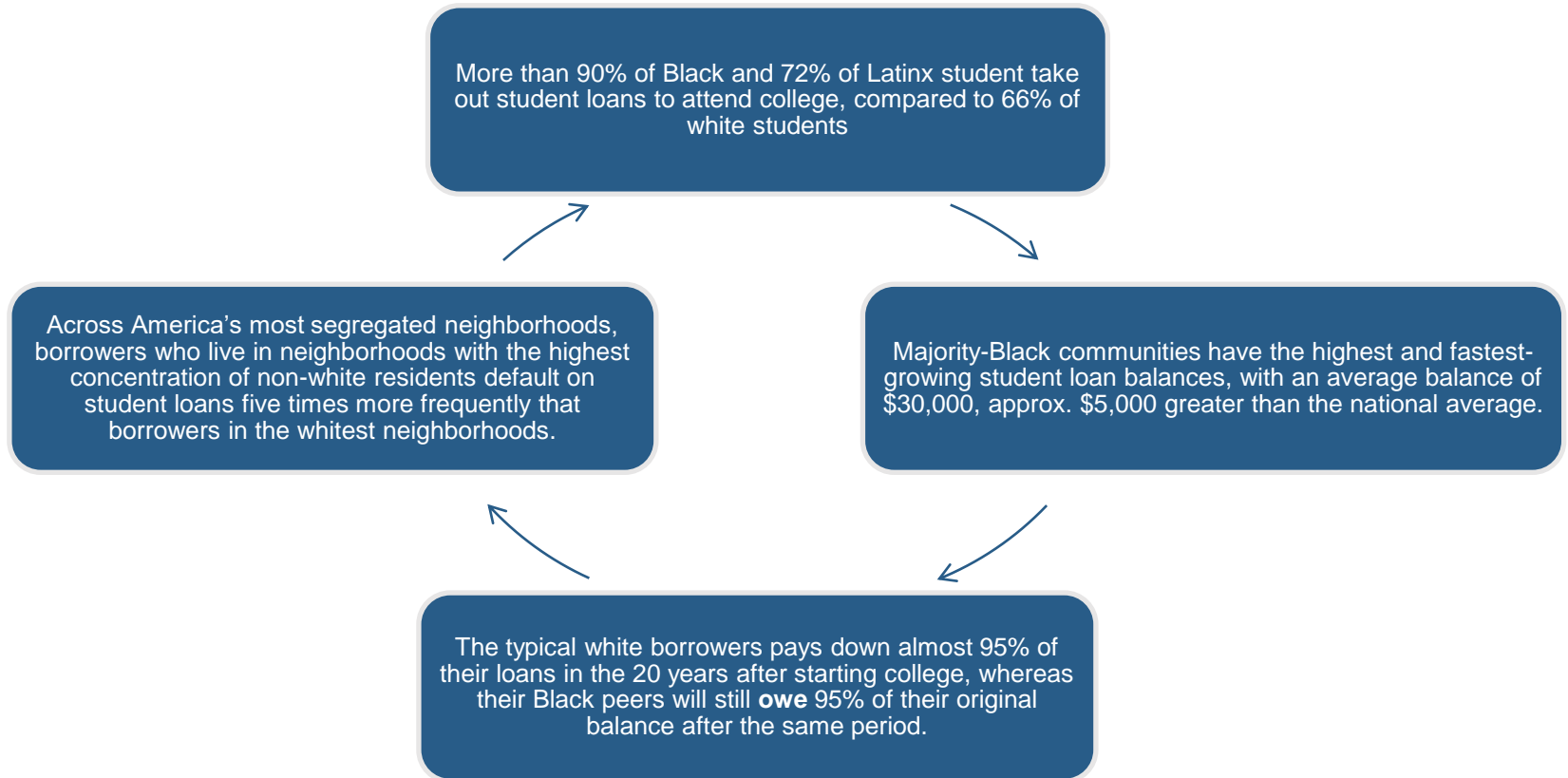
**The Student Debt Crisis is a  
Civil Rights Crisis**

# Across college types, Black students are more likely to graduate with debt



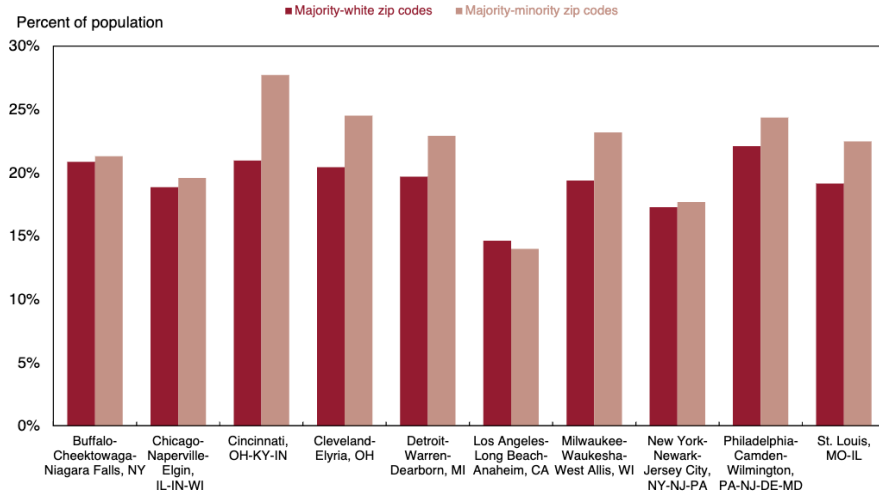
Source: Demos (2019)  
Note: Data for Native Hawaiian/Other Pacific Islanders not available due to small sample size

## Student debt is “both a cause and a consequence of racial inequality”



# Disparities in debt burdens and defaults

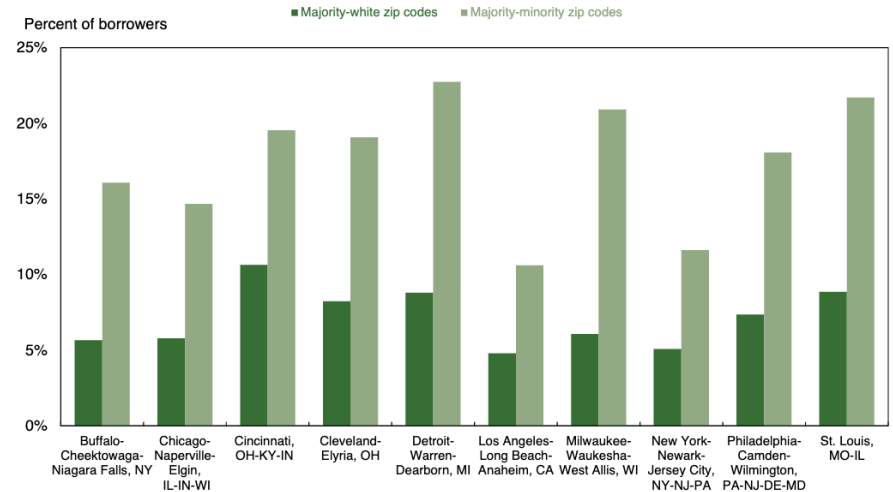
Figure 1: Percent of population with a student loan



Source: New York Fed Consumer Credit Panel/Equifax (2019Q2), ACS 2012-2016

Note: the percent of population with a student loan is equal to the number of student loan borrowers as a share of the ACS 18+ population.

Figure 2: Percent of student loan borrowers in default

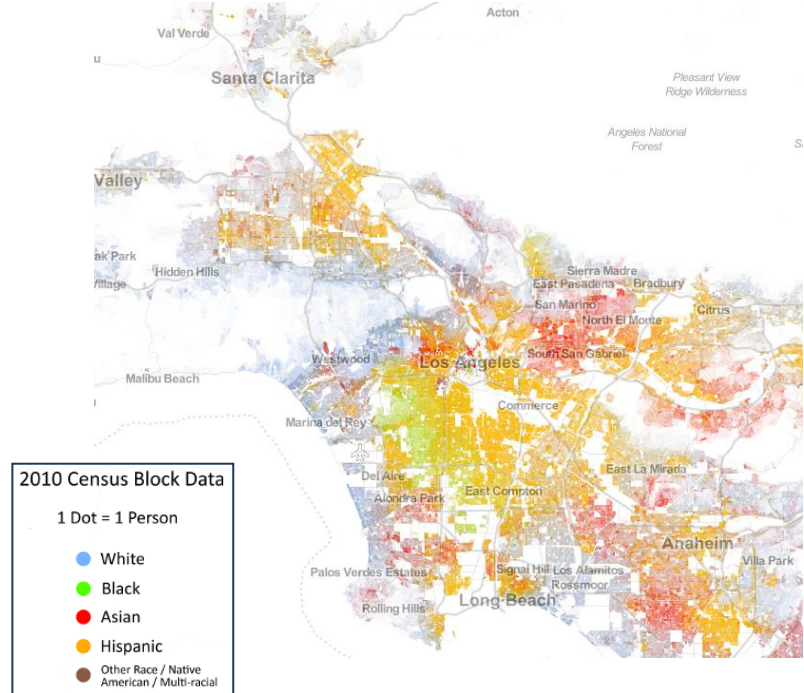
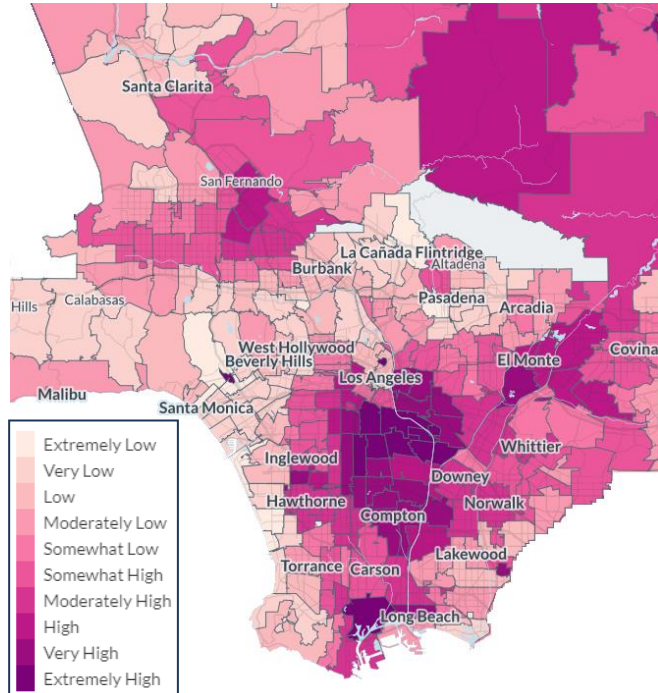


Source: New York Fed Consumer Credit Panel/Equifax (2019Q2)

Note: the percent of student loan borrowers currently in default is equal to the number of student loan borrowers with a defaulted balance as a share of the total number of student loan borrowers.



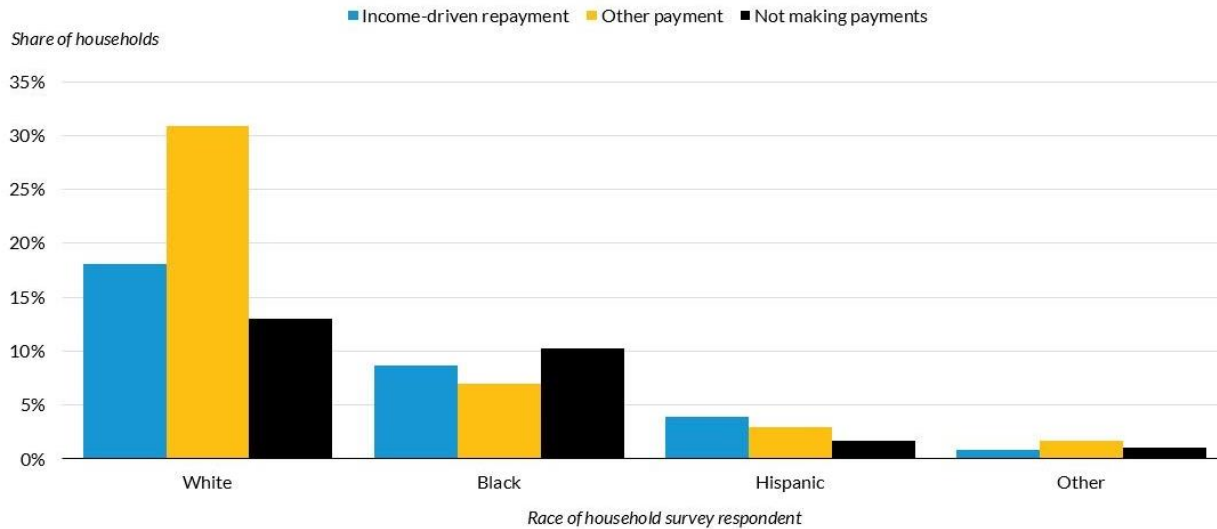
# Student loan delinquency and racial segregation (Los Angeles)



Source: Washington Center for Equitable Growth, Mapping Student Debt (2016), United States Census Bureau (2010)

# Borrowers of color use IDR at lower rates than white borrowers

Loan Repayment by race or ethnicity

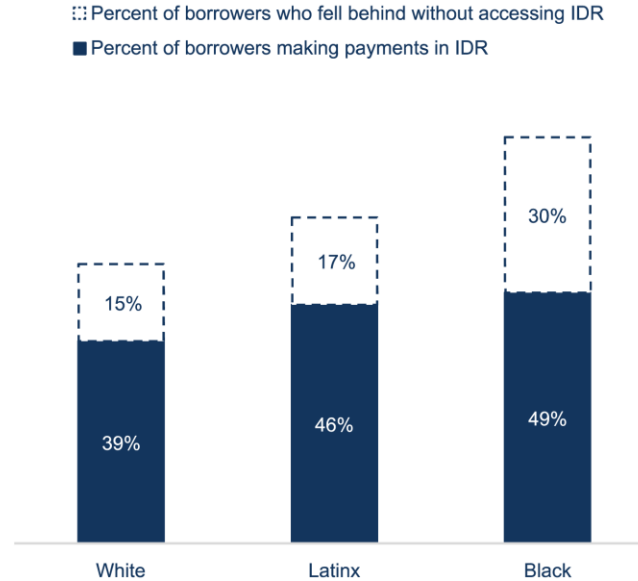


Source: Urban Institute (2018)

## Borrowers of color use IDR at lower rates than white borrowers

**Black borrowers are two times more likely than their white peers to fall behind without accessing IDR**

Race and IDR enrollment



Source: SBPC (2020)

# **California Student Loan Borrower Bill of Rights**

## AB 376

*California faces a student debt crisis. Across California, more than 3.7 million borrowers owe nearly \$125 billion in student debt—more than \$33,000 on average. In 2017 alone, more than one million Americans defaulted on a student loan nationwide—three times the number who lost homes to foreclosure over this period. **For these borrowers, and the countless others who are making their payments but barely getting by, these financial issues affect every aspect of their lives.** From buying a home to choosing a career, from starting a family to saving for retirement, student debt casts a shadow that many Californians cannot escape.*

...

*Promote the public interest in furtherance of the state's historic police powers to protect the health, welfare, and safety of the state and, in furtherance of the public interest, the act should be liberally construed to effectuate that intent.*

## Student Loan Industry Report Card

### Market monitoring

- Risks / costs to consumers
- Legal protections available, and the extent to which borrowers are accessing these protections
- Impact and prevalence of servicing breakdowns in underserved communities

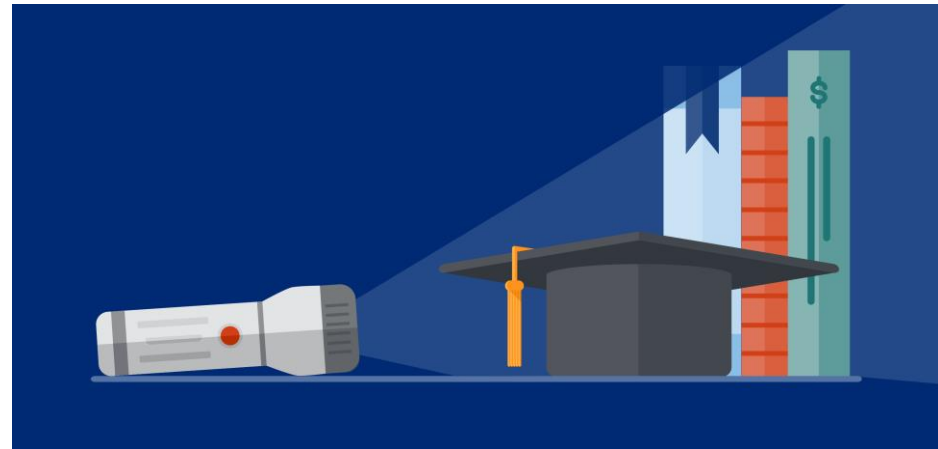
### Examples

- Which private student loan borrowers are able to access alternative repayment plans?
- How many borrowers have been denied disability discharge?
- Who is benefitting from federal programs like IDR and PSLF, and who is being knocked off track?

# Increasing transparency in the student loan servicing market

By [Seth Frotman](#) and [John McNamara](#) - FEB 16, 2017

- The total size of the student loan market.
- Borrowers with federal student loans who seek to repay their loans based on how much money they make (known as Income-Driven Repayment or IDR plans).
- Borrowers who face the greatest risk of default.
- Borrowers with private student loans who experience financial distress.



## Without market-level data, policymakers are blind to consumer risks

Accurate, timely market data are a critical tool at nearly every point in the oversight of consumer finance companies. Lawmakers rely on this data to address gaps in consumer protection and ensure laws effectively address the way that consumers interact with the market. Regulators use market data to inform supervision efforts and to examine for compliance with consumer protection law. Law enforcement officials utilize this data to take action to halt abuses and seek justice for consumers when consumer finance companies break the law.

- **Availability of customer service**
- **Back-end processing of emergency relief options**
- **Average and median processing times, in days, for borrowers waiting for an approval or denial of eligibility for relief programs (e.g., a loan modification or forbearance)**
- **Access to temporary relief options**
- **Access to permanent loan modifications**



# Group Discussion

*Facilitated by Martha Snyder, HCM  
Strategists*

# Common Evaluative Criteria

Criterion	Questions to ask
<b>Administrative feasibility</b>	Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?
<b>Cost or cost efficiency</b>	How much would this intervention cost to implement? How much impact do we get for our investment?
<b>Effectiveness</b>	Will this intervention address systemic challenges in order to positively affect the outcomes we care about? By how much?
<b>Equity</b>	Does this intervention provide more equitable outcomes for CA borrowers? Does it target the groups that most need resources/support?
<b>Fairness</b>	Does the design of this intervention provide equal access, consideration or opportunity to different groups that we care about?
<b>Political feasibility</b>	Will this intervention be met with strong opposition? Would the legislature have the political will to act?
<b>Procedural efficiency</b>	Would this intervention improve upon a current process or policy that we identified as being onerous for borrowers?
<b>Sustainability</b>	How likely would it be to sustain this intervention in the long-term?

# Closing & Next Steps

Meeting notices and agendas are posted at:

[www.csac.ca.gov/california-student-loan-and-debt-service-review-workgroup](http://www.csac.ca.gov/california-student-loan-and-debt-service-review-workgroup)

Questions? Contact:

[juana\\_sanchez@hcmstrategists.com](mailto:juana_sanchez@hcmstrategists.com)